

## 1. Company details

Name of entity:	Integral Diagnostics Limited
ABN:	55 130 832 816
Reporting period:	For the half-year ended 31 December 2020
Previous period	For the half-year ended 31 December 2019

## 2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	29.5% to	<b>171,749</b>
Profit from ordinary activities after tax attributable to the owners of Integral Diagnostics Limited	up	82.6% to	<b>19,896</b>
Profit for the half-year attributable to the owners of Integral Diagnostics Limited	up	82.6% to	<b>19,896</b>

### Dividends

Dividends were declared and paid in respect of FY20 of 9.5 cents per share.

The Directors declared a dividend of 5.5 cents per share (1H20: 5.5 cents per share) on the 22 February 2021 payable on 6 April 2021.

### Comments

Statutory net profit after tax was up 82.6% to \$19.9m (1H20: \$10.9m). After adjusting for transaction, customer contract amortisation and other costs of \$3.3m (1H20: \$3.5m), operating net profit after tax was up 61.1% to \$23.2m (1H20: \$14.4m).

Operating revenue for 1H21 was up 29.5% to \$170.7m (1H20: \$131.8m).

The 1H21 results delivered growth both organically across all business units, and through acquisitions. The features of the half-year result include:

- The average fee per exam increasing by 2.6% driven by the continuing move to higher end modalities and Medicare indexation being applied to CT, ultrasound and x-ray modalities from 1 July 2020;
- A full six-month contribution from the Imaging Queensland acquisition compared to the comparative period;
- The acquisition of Ascot Radiology completed 1 September 2020 providing a 4-month contribution; and
- The ongoing impacts of the COVID-19 pandemic, including:
  - Patient activity continuing to be impacted by Government imposed restrictions particularly in Victoria;
  - Increased employee costs of approximately \$2.1m driven by decreased use of annual leave, an increased use of sick leave entitlements and "Healthcare Hero" costs of frontline and support staff recognition;
  - JobKeeper receipts of \$6.6m (after tax) that enabled the retention and support of our highly skilled workforce; and
  - Net reductions in spend of \$0.6m for travel, printing and conferences etc.

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

### Acquisition integration

The acquisition of Ascot Radiology was completed effective 1 September 2020 with integration and operating performance being largely in line with expectations.

### Cash flow and capital management

Net debt increased by \$2.5m and reflects strong free cash flows from operations of \$42.7m offset by \$32.1m of drawn down debt to fund the acquisition of Ascot Radiology. At 31 December 2020 there was \$68.8m of cash available and net debt/LTM EBITDA was 1.4x (FY20: 1.8x).

IDX has successfully extended and rolled over existing finance facilities with committed capacity increased to \$402.6m from \$315.5m and an additional \$105.0m uncommitted capacity under an accordion facility, with consistent terms and conditions, including covenants and on a five-year term to February 2026.

### Dividend

A first half, fully franked dividend of 5.5c per share (1H20: 5.5c per share) has been declared.

The Dividend Reinvestment Plan (DRP) will again be available for participation for the 1H21 dividend distribution.

---

### Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(95.64)	(83.80)

---

### 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

---

### Loss of control over entities

Not applicable.

## Dividends

### Current period

	Declared Date	Amount per security Cents	Franked amount per security Cents
Dividend declared to shareholders of the Company	22 Feb 2021	5.5	5.5

### Previous period

	Date Paid	Amount per security Cents	Franked amount per security Cents
Interim Dividend paid to shareholders of the Company	7 Apr 2020	5.5	5.5
Final Dividend paid to shareholders of the Company	1 Oct 2020	4.0	4.0

## Details of associates and joint venture entities

Not applicable.

## Audit review

This report is based on the half year financial report for the half year ended 31 December 2020, which has been reviewed by PricewaterhouseCoopers.

Additional Appendix 4D disclosures can be found in the attached half year financial report, which contains the Directors' Report, the Directors' declaration and the consolidated financial statements for the half year ended 31 December 2020.

This information should be reviewed in conjunction with the 2020 annual financial report and public announcements made in the period by Integral Diagnostics Limited, in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

## Attachments

The Interim Financial Report of Integral Diagnostics Limited for the half-year ended 31 December 2020 is attached.

## Signed



Helen Kurincic  
Independent Non-Executive Chair  
Melbourne

Date: 22 February 2021

**Integral Diagnostics Limited**

ABN 55 130 832 816

**Interim Financial Report - 31 December 2020**

For personal use only

# Contents

Directors' Report .....	3
Auditor's Independence Declaration .....	6
Consolidated Statement of Profit or Loss .....	7
Consolidated Statement of Comprehensive Income.....	8
Consolidated Statement of Financial Position.....	9
Consolidated Statement of Changes in Equity.....	10
Consolidated Statement of Cash Flows .....	11
Notes to the Financial Statements.....	12
Directors' Declaration .....	22
Independent auditor's review report .....	23

## Directors' Report

The directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Group') consisting of Integral Diagnostics Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

### Directors

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

Helen Kurincic (Independent Non-Executive Chairman)  
 John Atkin (Independent Non-Executive Director)  
 Rupert Harrington (Independent Non-Executive Director)  
 Raelene Murphy (Independent Non-Executive Director)  
 Dr Ian Kadish (Managing Director and Chief Executive Officer)  
 Dr Chien Ping Ho (Executive Director)  
 Dr Jacqueline Milne (Executive Director)

### Principal activities

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

### Significant changes in the state of affairs

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

The key terms of the acquisition included:

- Upfront purchase consideration of NZ\$50.7 million 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.

See Note 13 to the financial statements for full detail of this transaction.

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

### Review of operations

Statutory net profit after tax was up 82.6% to \$19.9m (1H20: \$10.9m). After adjusting for transaction, acquisition integration, customer contract amortisation and other costs of \$3.3m (1H20: \$3.5m), operating net profit after tax was up 61.1% to \$23.2m (1H20: \$14.4m).

Operating revenue for 1H21 was up 29.5% to \$170.7m (1H20: \$131.8m).

The 1H21 results delivered growth both organically across all business units, and through acquisitions. The features of the half-year result include:

- The average fee per exam increasing by 2.6% driven by the continuing move to higher end modalities and Medicare indexation being applied to CT, ultrasound and x-ray modalities from 1 July 2020;
- A full 6-month contribution from the Imaging Queensland acquisition compared to prior comparative period;
- The acquisition of Ascot Radiology completed 1 September 2020 providing 4-month contribution; and
- The ongoing impacts of the COVID-19 pandemic, including:
  - Patient activity continuing to be impacted by Government imposed restrictions particularly in Victoria;
  - Increased employee costs of approximately \$2.1m driven by decreased use of annual leave, an increased use of sick leave entitlements and costs of “Healthcare Heroes” frontline and support staff recognition; and
  - JobKeeper receipts of \$6.6m (after tax) enabling the retention and support of our highly skilled workforce; and
  - Net reductions in spend of \$0.6m for travel, printing and conferences etc.

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

### *Acquisition & integration*

The acquisition of Ascot Radiology was completed effective 1 September 2020 with integration and operating performance being largely in line with expectations.

### *Cash flow & capital management*

Free cash flow conversion, net of replacement capital expenditure was \$49.4m (1H20 \$30.4m). The average cost of capital continues to improve and net debt/EBITDA ratio at 31 December 2020 was 1.4x (1H20: 1.8x).

### *Dividend*

A first half, fully franked dividend of 5.5c per share (1H20: 5.5c per share) has been declared.

### *Subsequent events*

On 18 February 2021, the Group executed renewed facility documents for the refinancing of its debt facilities with its bankers, the terms of which had been agreed and committed to prior to 31 December 2020. These provide the Group with access to debt facilities with a committed limit of \$402.6m, increased from \$315.5m, and an additional \$105.0m uncommitted under an accordion facility with consistent terms and conditions for a further five-year term to February 2026.

### *Rounding of amounts*

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

### *Comparatives*

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

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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



Helen Kurincic  
Independent Non-Executive Chair



Dr Ian Kadish  
Managing Director and Chief Executive Officer

22 February 2021  
Melbourne





## *Auditor's Independence Declaration*

As lead auditor for the review of Integral Diagnostics Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Jason Perry  
Partner  
PricewaterhouseCoopers

Melbourne  
22 February 2021

# Consolidated Statement of Profit or Loss

For the half-year ended 31 December 2020

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Revenue</b>			
Revenue	4	171,749	132,499
Interest and other income		106	194
<b>Total revenue and other income</b>		<b>171,855</b>	<b>132,693</b>
<b>Expenses</b>			
Consumables		(8,262)	(5,775)
Employee benefits		(90,692)	(75,541)
Depreciation		(9,432)	(6,494)
Amortisation of customer contracts		(1,758)	(869)
Amortisation of right of use asset		(5,814)	(3,907)
Transaction and integration costs		(862)	(2,971)
Equipment		(5,995)	(4,153)
Occupancy		(3,938)	(2,918)
Other		(10,925)	(9,682)
Share-based payment expense		(1,083)	(534)
Finance costs		(4,269)	(4,056)
Share of net profits of joint ventures accounted using the equity method		10	-
<b>Total expenses</b>		<b>(143,020)</b>	<b>(116,900)</b>
<b>Profit before income tax expense</b>		<b>28,835</b>	<b>15,793</b>
Income tax expense		(8,939)	(4,913)
<b>Profit for the half-year from continuing operations</b>		<b>19,896</b>	<b>10,880</b>
Profit is attributable to:			
Owners of Integral Diagnostics Limited		<b>19,896</b>	10,880
<b>Earnings per share attributable to the owners of Integral Diagnostics Limited</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		10.09	6.18
Diluted earnings per share		9.98	6.14

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

# Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2020

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Profit for the half-year</b>		<b>19,896</b>	<b>10,880</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations, net of tax		232	85
Net (loss)/gain on cash flow hedges		-	20
<b>Other comprehensive income for the half-year, net of tax</b>		<b>232</b>	<b>105</b>
<b>Total comprehensive income for the half-year</b>		<b>20,128</b>	<b>10,985</b>
Total comprehensive income for the half-year is attributable to:			
Owners of Integral Diagnostics Limited		20,128	10,985

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

# Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 Dec 2020 \$'000	30 Jun 2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	68,762	57,965
Trade and other receivables		11,562	10,404
Other assets		5,494	7,086
Inventory		1,158	1,002
<b>Total current assets</b>		<b>86,976</b>	<b>76,457</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	110,370	101,005
Right-of-use assets		95,675	88,571
Intangibles	7	347,616	307,271
Deferred tax assets		15,174	13,607
Investments accounted for using the equity method		66	-
<b>Total non-current assets</b>		<b>568,901</b>	<b>510,454</b>
<b>Total assets</b>		<b>655,877</b>	<b>586,911</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		23,929	18,616
Contingent consideration		13,800	13,317
Borrowings	8	7,311	13,177
Lease liabilities	14	10,312	9,608
Income tax payable		3,125	4,968
Provisions		18,133	16,556
<b>Total current liabilities</b>		<b>76,610</b>	<b>76,242</b>
<b>Non-current liabilities</b>			
Borrowings	8	198,320	168,564
Contingent consideration		9,853	7,971
Lease liabilities	14	93,842	86,499
Deferred tax liability		14,605	11,515
Provisions		9,250	7,790
<b>Total non-current liabilities</b>		<b>325,870</b>	<b>282,340</b>
<b>Total liabilities</b>		<b>402,480</b>	<b>358,581</b>
<b>Net assets</b>		<b>253,397</b>	<b>228,330</b>
<b>Equity</b>			
Contributed capital	9	219,027	207,437
Reserves		(9,485)	(10,800)
Retained profits		43,855	31,693
<b>Total equity</b>		<b>253,397</b>	<b>228,330</b>

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

# Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2020

	Contributed capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
<b>Balance at 1 July 2019</b>	<b>109,507</b>	<b>(11,070)</b>	<b>28,782</b>	<b>127,219</b>
Adjustment on first time adoption of AASB 16, net of tax effects	-	-	(1,654)	(1,654)
<b>Adjusted balance at 1 July 2019</b>	<b>109,507</b>	<b>(11,070)</b>	<b>27,128</b>	<b>125,565</b>
Profit for the half-year after income tax expense	-	-	10,880	10,880
Movement in the fair value of derivative financial instrument	-	20	-	20
Movement on translation of foreign operations	-	85	-	85
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>105</b>	<b>10,880</b>	<b>10,985</b>
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued under radiologist incentive scheme	1,460	-	-	1,460
Shares issued under shareholder entitlement offers	72,023	-	-	72,023
Share based payments	-	534	-	534
Net deferred tax asset impact of transaction costs in equity	882	-	-	882
Shares issued as consideration for a business combination	26,484	-	-	26,484
Costs associated with issue of equity	(3,470)	-	-	(3,470)
Dividends paid (Note 10)	-	-	(7,843)	(7,843)
	<b>97,379</b>	<b>534</b>	<b>(7,843)</b>	<b>90,070</b>
<b>Balance at 31 December 2019</b>	<b>206,886</b>	<b>(10,431)</b>	<b>30,085</b>	<b>226,620</b>

  

	Contributed capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
<b>Balance at 1 July 2020</b>	<b>207,437</b>	<b>(10,800)</b>	<b>31,693</b>	<b>228,330</b>
Profit for the half-year after income tax expense	-	-	19,896	19,896
Movement on translation of foreign operations	-	232	-	232
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>232</b>	<b>19,896</b>	<b>20,128</b>
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued under radiologist incentive scheme	1,500	-	-	1,500
Share based payments	-	1,083	-	1,083
Net deferred tax asset impact of transaction costs in equity	28	-	-	28
Shares issued for cash consideration	292	-	-	292
Shares issued as consideration for a business combination (Note 13)	9,565	-	-	9,565
Costs associated with issue of equity	(92)	-	-	(92)
Dividends paid (Note 10)	297	-	(7,734)	(7,437)
<b>Balance at 31 December 2020</b>	<b>219,027</b>	<b>(9,485)</b>	<b>43,855</b>	<b>253,397</b>

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

# Consolidated Statement of Cash Flows

For the half-year ended 31 December 2020

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		172,463	135,206
Payments to suppliers and employees		(114,821)	(101,705)
Transaction and integration costs relating to acquisition of subsidiaries		(862)	(2,971)
Interest and other finance costs paid		(4,269)	(4,056)
Interest received		61	194
Income taxes paid		(10,489)	(6,100)
<b>Net cash from operating activities</b>		<b>42,083</b>	<b>20,568</b>
<b>Cash flows from investing activities</b>			
Payments for purchase of subsidiaries, net of cash acquired	13	(35,430)	(66,277)
Payments in settlement of contingent consideration		(392)	(420)
Payments for property, plant and equipment		(7,766)	(17,033)
Proceeds from disposal of property, plant and equipment		-	-
<b>Net cash used in investing activities</b>		<b>(43,588)</b>	<b>(83,730)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		1,793	73,483
Transaction costs on issued equity		-	(3,470)
Proceeds from borrowings drawn		32,107	15,000
Repayment of borrowings		(8,217)	(4,026)
Repayment of the principal element of lease liabilities		(4,873)	(3,761)
Dividends paid to Company shareholders	10	(7,437)	(7,843)
<b>Net cash used in financing activities</b>		<b>13,373</b>	<b>69,383</b>
Net increase in cash and cash equivalents		11,868	6,221
Cash and cash equivalents at the beginning of the half-year		57,965	20,967
Effects of exchange rate changes on cash and cash equivalents		(1,071)	(364)
<b>Cash and cash equivalents at the end of the half-year</b>		<b>68,762</b>	<b>26,824</b>

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

# Notes to the Financial Statements

## Note 1. General information

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

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

Suite 9.02, Level 9  
45 William Street  
Melbourne VIC 3000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2021.

## Note 2. Significant accounting policies

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Except for the adoption of the new and amended accounting standards as described below, the principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

## Basis of preparation

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

## Restatement of previously reported balances

During the period, the Group finalised the purchase price accounting for its acquisition of the Imaging Queensland Group requiring the restatement of provisional balances reported at 30 June 2020. Refer to [Note 13\(b\)](#) for further details.

## New, revised or amending Accounting Standards and Interpretations adopted

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

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

### Note 3. Segment information

#### Identification of reportable operating segments

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

#### Accounting policy for operating segments

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

#### Other information

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

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<i>Total revenue and other income from continuing operations</i>		
Australia	150,311	119,333
New Zealand	21,544	13,166
	171,855	132,499
	31 Dec 2020 \$'000	30 Jun 2020 \$'000
<i>Total non-current assets</i>		
Australia	404,939	401,608
New Zealand	163,962	102,429
	568,901	504,037



#### Note 4. Revenue

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<i>Sales revenue</i>		
Services revenue	170,710	131,828
<i>Other revenue</i>		
Other revenue	1,039	671
Revenue	171,749	132,499
<i>Timing of revenue recognition</i>		
At a point in time	163,999	130,182
Over time	7,750	2,317
	171,749	132,499

#### Accounting policy for revenue recognition

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

#### Rendering of services

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

#### Note 5. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Cash on hand	17	21
Cash at bank	68,745	57,944
	68,762	57,965

#### Note 6. Non-current assets - property, plant and equipment

During the six months ended 31 December 2020, the Group acquired assets and work in progress with a cost of \$10.3m excluding those assets acquired as part of the acquisition of Ascot Radiology disclosed in [Note 13](#) (six months ended 31 December 2019: \$16.5m).

During the six months ended 31 December 2020, the Group disposed of assets with a written down value of \$0.5m (six months ended 31 December 2019: \$1.6m).

## Note 7. Non-current assets - intangibles

	Consolidated	
	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Goodwill – at cost	316,503	280,017
Brand names – at cost	24,802	24,768
Customer contracts – at cost	14,664	9,171
Less: Accumulated amortisation	(8,353)	(6,685)
	6,311	2,486
<b>Total Intangible Assets</b>	<b>347,616</b>	<b>307,271</b>

### Reconciliations:

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

Consolidated	Note	Goodwill \$'000	Brand names \$'000	Customer contracts \$'000	Total \$'000
Balances at 1 July 2020		280,017	24,768	2,486	307,271
Acquisitions	13	35,466	-	5,334	40,800
Amortisation expense		-	-	(1,758)	(1,758)
Foreign exchange differences		1,020	34	249	1,303
Balance at 31 December 2020		316,503	24,802	6,311	347,616

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

Consolidated	Australia \$'000	New Zealand \$'000	Total \$'000
Goodwill	200,207	116,296	316,503
Brand names	15,070	9,732	24,802
Customer contracts	2,175	4,136	6,311
Balance at 31 December 2020	217,452	130,164	347,616

Goodwill and brand names are tested for impairment annually (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. The key assumptions used to determine the recoverable amount of goodwill were disclosed in the annual consolidated financial statements for the year ended 30 June 2020.

The Group considers current performance against expectations, amongst other factors when reviewing for indicators of impairment. At 31 December 2020 the performance of the Group was in line with expectations, as such impairment considerations were limited to a review of potential impairment indicators. There were no potential impairment indicators identified as at 31 December 2020.

## Note 8. Borrowings

	Consolidated 31 Dec 2020 \$'000	30 Jun 2020 \$'000
<b>Current</b>		
Asset financing facility	7,311	13,177
<b>Non-current</b>		
Asset financing facility	8,100	11,560
Club debt facility	190,220	157,004
	198,320	168,564
<b>Total borrowings</b>	205,631	181,741

Subsequent to balance date, these debt facilities have been successfully refinanced. Refer to [Note 15](#) for further details.

## Note 9. Equity - contributed capital

	Consolidated 31 Dec 2020 Shares	30 Jun 2020 Shares	Consolidated 31 Dec 2020 \$'000	30 Jun 2020 \$'000
Ordinary shares - fully paid	198,545,113	194,684,039	219,027	207,437

Issued capital movements relate to the issuing of shares as part of business combinations (refer note 13 for further details), employee share scheme and entitlement issues. Refer to the statement of changes in equity for further detail in relation to the movement in paid up capital for the period.

Movement in ordinary share capital	Date	Number of shares	Issue price	Total \$'000
Balance at 1 July 2020		194,684,039		207,437
Shares issued under radiologist loan share scheme – self-funded <sup>1</sup>	2 September	383,799	\$3.91	1,500
Shares issued under radiologist loan share scheme – loan-funded <sup>1</sup>	2 September	509,185	-	-
Shares issued for cash consideration	1 September	85,790	\$3.40	292
Shares issued as consideration for acquisition	1 September	2,809,625	\$3.40	9,565
Shares issued under dividend reinvestment plan	1 October	72,675	\$4.08	297
Capital raising costs		-	-	(92)
Net income tax effect of transaction costs in equity				28
Balance at 31 December 2020		198,545,113		219,027

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

## Note 10. Equity - dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Interim Dividend paid 5 cents per share on 2 April 2019	-	7,809
Final Dividend paid 5 cents per share on 2 October 2019	-	7,843
Interim Dividend paid 5.5 cents per share on 7 April 2020	10,625	-
Final Dividend paid 4.0 cents per share on 1 October 2020	7,734	-
	18,359	15,652

## Note 11. Related party transactions

The following transactions occurred with related parties:

	Consolidated \$	Interest %	\$
<b>Period ended 31 December 2020</b>			
Payment for rental of buildings to Eleven Eleven How Pty Ltd	188,363	6.25%	11,773
Payment for rental of buildings to Kiwi Blue Pty Ltd	121,350	9.09%	11,031
<b>Period ended 31 December 2019</b>			
Payment for rental of buildings to Eleven Eleven How Pty Ltd	179,581	6.25%	11,224
Payment for rental of buildings to Kiwi Blue Pty Ltd	119,218	9.09%	10,837

### Terms and conditions

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

All transactions with key management personnel are made on normal commercial terms and conditions and in the ordinary course of business. The Board has an established Related Parties 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 2001, ASX Listing Rule 10.1, accounting requirements and 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.

## Note 12. Contingent liabilities and commitments

The Group had given bank guarantees at 31 December 2020 of \$2.4m (31 December 2019: \$2.6m) to various landlords.

The Group had capital commitments for plant and equipment of \$3.2m at 31 December 2020 (31 December 2019: \$1.8m).

There has been no other significant change to the substance or value of commitments to those disclosed in the 30 June 2020 financial report.

### Note 13. 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.

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.

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

	Recognised on acquisition fair value \$'000
Plant and equipment	9,017
Right of use assets	12,082
Customer contracts	5,334
Deferred tax	(1,257)
Lease liabilities	(12,082)
Employee benefits	(431)
Provisions	(652)
Cash assets	1,325
Investments accounted for using the equity method	55
Working capital assets	938
Working capital liabilities	(919)
Net assets acquired	13,410
Goodwill	35,466
Acquisition-date fair value of the total consideration transferred	48,876
<b>Representing:</b>	
Cash paid to vendor	36,755
Integral Diagnostics Limited shares issued to vendor	9,565
Contingent consideration	2,556
	48,876
Net cash acquired with subsidiary	1,325
Cash paid	(36,755)
Net cash flow on acquisition	35,430

### **Note 13. Business combinations (continued)**

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

##### *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 NZ\$2,800,000. There is no minimum amount payable.

The fair value of the contingent consideration arrangement was estimated at NZ\$2,800,000 calculating the present value of the future expected cash flows.

##### *Revenue and profit contribution*

Ascot Radiology has contributed revenues of \$7,382,845 to the Group for the period from 1 September 2020 to 31 December 2020. 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.

### Note 13. Business combinations (continued)

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

On 1 November 2019 the Group acquired the Imaging Queensland Group. Details of this business combination were disclosed in note 34 of the Group's annual financial statements for the year ended 30 June 2020.

The purchase price accounting has now been finalised, with the final values relating to the acquisition are as follows:

	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
<b>Representing:</b>			
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
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.

#### Note 14. Leases

Reconciliation of movements for the period:

	2020 \$'000
Lease liabilities recognised at 1 July 2020	96,107
Lease liabilities assumed on acquisition	12,082
Remeasurement of liability for CPI adjustments	458
Early termination of leases	(3,428)
New leases entered during the period	3,808
Repayment of lease liabilities, net of interest	(4,873)
Lease liabilities recognised at 31 December 2020	104,154
Representing:	
Current lease liabilities	10,312
Non-current lease liabilities	93,842
Total lease liabilities recognised at 31 December 2020	104,154

#### Note 15. Events after the reporting period

On 18 February 2021, the Group executed renewed facility documents for the refinancing of its debt facilities with its bankers, the terms of which had been agreed and committed to prior to 31 December 2020. These provide the Group with access to debt facilities with a committed limit of \$402.6m, increased from \$315.5m, and an additional \$105.0m uncommitted under an accordion facility with consistent terms and conditions for a further five-year term to February 2026.

Dividends of 5.5 cents per share were declared on 22 February 2021.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.



## Directors' Declaration

In the directors' opinion:

- The attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Helen Kurincic  
Independent Non-Executive Chair



Dr Ian Kadish  
Managing Director and Chief Executive Officer

22 February 2021  
Melbourne



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

### ***Report on the half-year financial report***

#### ***Conclusion***

We have reviewed the half-year financial report of Integral Diagnostics Limited (the Company) and the entities it controlled from time to time during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### ***Basis for conclusion***

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### ***Responsibility of management for the half-year financial report***

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

---

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

Liability limited by a scheme approved under Professional Standards Legislation.



### *Auditor's responsibility for the review of the half-year financial report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

PricewaterhouseCoopers

A stylized, handwritten signature of 'JP' in a cursive script.

Jason Perry  
Partner

Melbourne  
22 February 2021