

Appendix 4D

1. Company details

Name of entity:	Integral Diagnostics Limited
ABN:	55 130 832 816
Reporting period:	For the half year ended 31 December 2023
Previous period	For the half year ended 31 December 2022

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	7.2% to	231,253
Loss from ordinary activities after tax attributable to the owners of Integral Diagnostics Limited	down	513.7% to	(66,756)
Loss for the half year attributable to the owners of Integral Diagnostics Limited	down	513.7% to	(66,756)

Comments

Statutory net loss after tax was down 513.7% to (\$66.8m) (1H FY23: \$16.1m). After adjusting for impairment losses, transaction and integration costs, amortisation of customer contracts and other costs, net of tax, of \$74.2m (1H FY23: \$8.3m), Operating Net Profit After Tax (NPAT) was down 5.6% to \$7.4m (1H FY23: \$7.8m).

Revenue for 1H FY24 was up 7.2% to \$231.3m (1H FY23: \$215.7m).

IDX's operating results for 1H FY24 are consistent with the Trading Update provided on 3 November 2023:

- Solid revenue growth of 7.2%, driven by improved Medicare indexation (3.6% increase effective 1 July 2023 and an additional 0.5% increase effective 1 November 2023, both increases exclude nuclear medicine), annualisation of FY23 out of pocket fee increases and continued favourable mix impact;
- Prolonged cost pressures, especially higher labour costs, driven by inflation and labour market supply constraints, together with higher interest funding costs. Management has focused on containing and reducing costs wherever possible;
- Operating EBITDA margin of 18.7%, being an increase of 20 bps compared to 18.5% in the prior corresponding period;
- An impairment loss of \$71.5m recognised in the New Zealand division, being 35.1% of the \$203.5m carrying value of IDX's New Zealand assets, reflecting the Company's revised, more modest growth expectations for this business, consistent with the Trading Update provided on 3 November 2023;
- Statutory Loss after Tax of (\$66.8m) after impairment losses, transaction and integration costs, amortisation of customer contracts and other costs, net of tax, of \$74.2m; and
- Net debt to EBITDA (pre-AASB 16) of 3.0x, being slightly below 3.1x at 31 December 2022, and is projected to trend down gradually over time.

Organic operating revenue from all sources (including reporting contracts, some of which are fixed rate) in Australia grew 7.8%, being slightly lower compared to the Medicare industry weighted average for the States in which IDX operates of a 9.5% benefits increase adjusted for working days. Note that IDX's growth is off a higher base relative to the industry weighted average for the States in which IDX operates given the more regional nature of IDX's operations which were less impacted by COVID-19 in the prior corresponding period.

Average fees per exam (including reporting contracts) in Australia increased by 7.5% in 1H FY24, reflective of Medicare indexation, annualisation of FY23 out of pocket fee increases and an on-going move to the higher end CT, MRI and PET scan modalities as noted above.

Organic operating revenue in New Zealand grew 4.1%, on a constant currency basis adjusted for working days.

In 1H FY24 capital expenditure totalled \$11.7m, with \$3.5m relating to growth initiatives including investment in additional or upgraded equipment.

The Company believes the fundamentals of the essential radiology industry are strong. Our industry benefits from being at the confluence of major global trends – demographic and technological:

- Demographically, the ageing of the population and the increased prevalence of chronic disease and earlier detection will drive demand for diagnostic services;
- Technological advancements, digitisation and the growth of teleradiology and AI is expected to improve the quality and efficiency of the care we deliver; and
- Structural shifts to higher acuity modalities.

IDX as a specialist, regionally focused, high quality provider of diagnostic services is strategically well positioned to benefit from these important trends and to grow services strongly going forward.

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

In FY24 and beyond the Company is focused on executing on the following drivers of IDX's strategy to grow its business:

- Drive organic earnings growth, including through focus on execution of key operational improvement initiatives
- Accelerate use of teleradiology, digital and AI to improve the patient and referrer experience
- Drive our environmental, social and governance (ESG) strategy
- Nurture and develop culture and leadership across our people
- As balance sheet capacity permits, consider accretive acquisitions that represent a strong clinical, cultural and strategic fit

In particular, the focus on execution of key operational improvement initiatives are expected to lead to an improvement in 2H FY24 trading performance and Operating EBITDA margin compared to 1H FY24, to be in line with or slightly higher than the 2H FY23 EBITDA margin of 20.2%.

For the month of January 2024 and up to and including 15 February 2024, the Company achieved solid revenue growth of 11.6% (7.8% adjusted for working days) compared to the prior corresponding period.

FY24 replacement and growth capex is expected to be between \$30.0m to \$40.0m.

Acquisition integration

The Company did not make any significant acquisitions in the current period.

Cash flow and capital management

Net debt increased by \$15.8m to \$210.0m (1H FY23: \$194.2m). The Group's net debt to equity ratio at 31 December 2023 was 69.9%, driven by the impairment loss recognised in the New Zealand division (1H FY23: 52.4%) and net debt/EBITDA ratio at 31 December 2023 was 3.0x (1H FY23: 3.1x).

At 31 December 2023 the Group held cash of \$18.0m. In addition to cash on hand, the Group has committed facilities of \$354.4m, of which \$126.3m remains undrawn (subject to banking facility financial covenant

compliance). Current debt facilities are not due until February 2026. The Group is in compliance with all covenant requirements under the debt facility.

Dividend

The Directors declared a fully franked interim dividend of 2.5 cents per share (1H FY23: 2.5 cents per share) on 20 February 2024, payable on 2 April 2024, representing a dividend payout ratio of 78.9% of Operating NPAT.

The Dividend Reinvestment Plan (DRP) is available for participation for the 1H FY24 dividend at a 1.5% discount.

Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(97.89)	(100.31)

Control gained over entities

No entities were acquired during the half year ended 31 December 2023.

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	20 Feb 2024	2.5	2.5

Previous period

	Date Paid	Amount per security Cents	Franked amount per security Cents
Interim Dividend paid to shareholders of the Company	4 Apr 2023	2.5	2.5
Final Dividend paid to shareholders of the Company	4 Oct 2023	3.5	3.5

Details of associates and joint venture entities

Not applicable.

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Audit review

This report is based on the half year financial report for the half year ended 31 December 2023, 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 2023.

This information should be reviewed in conjunction with the 2023 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 2023 is attached.

Signed



Toby Hall
Independent Non-Executive Chair
Melbourne

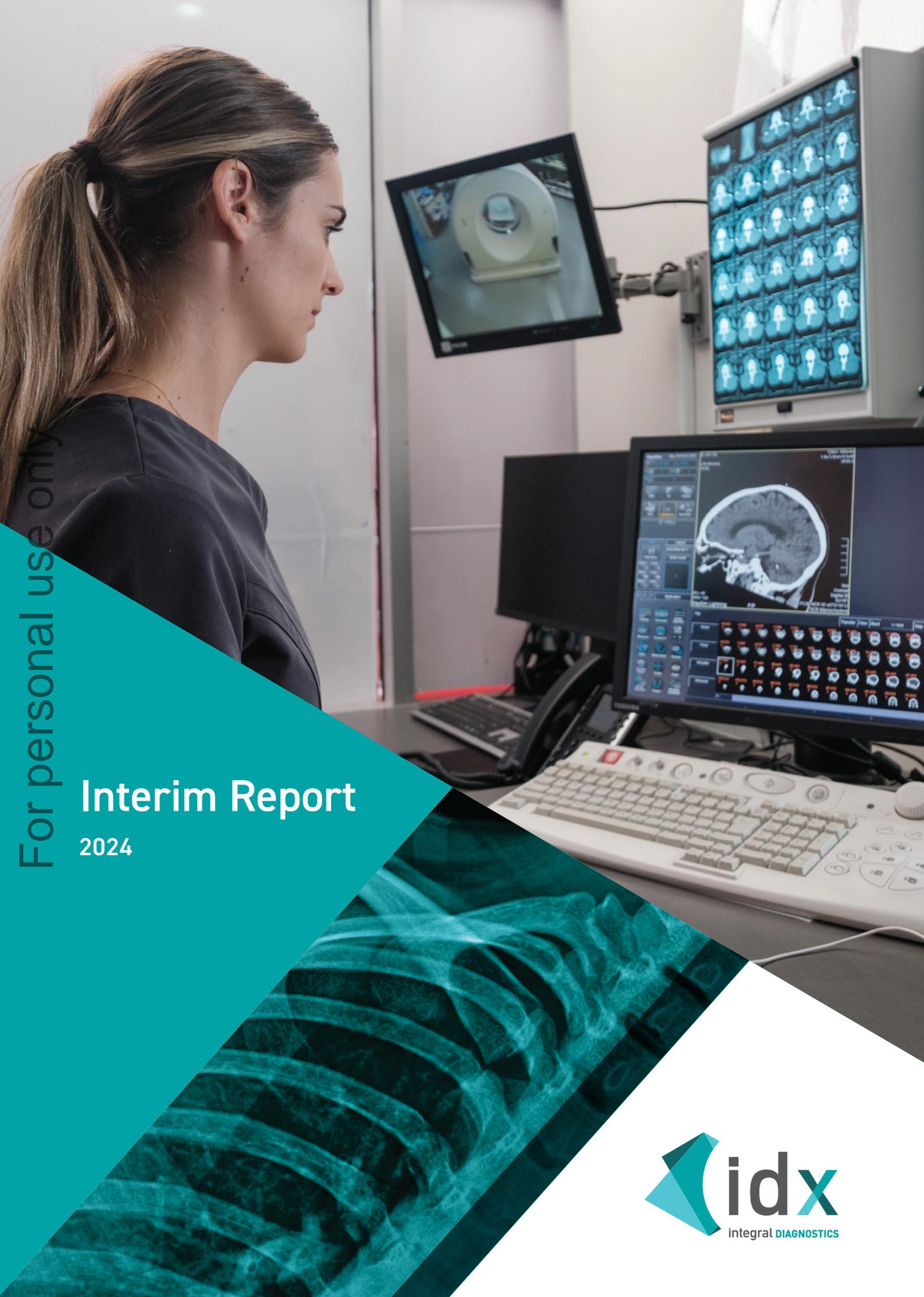
Date: 20 February 2024

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Interim Report

2024



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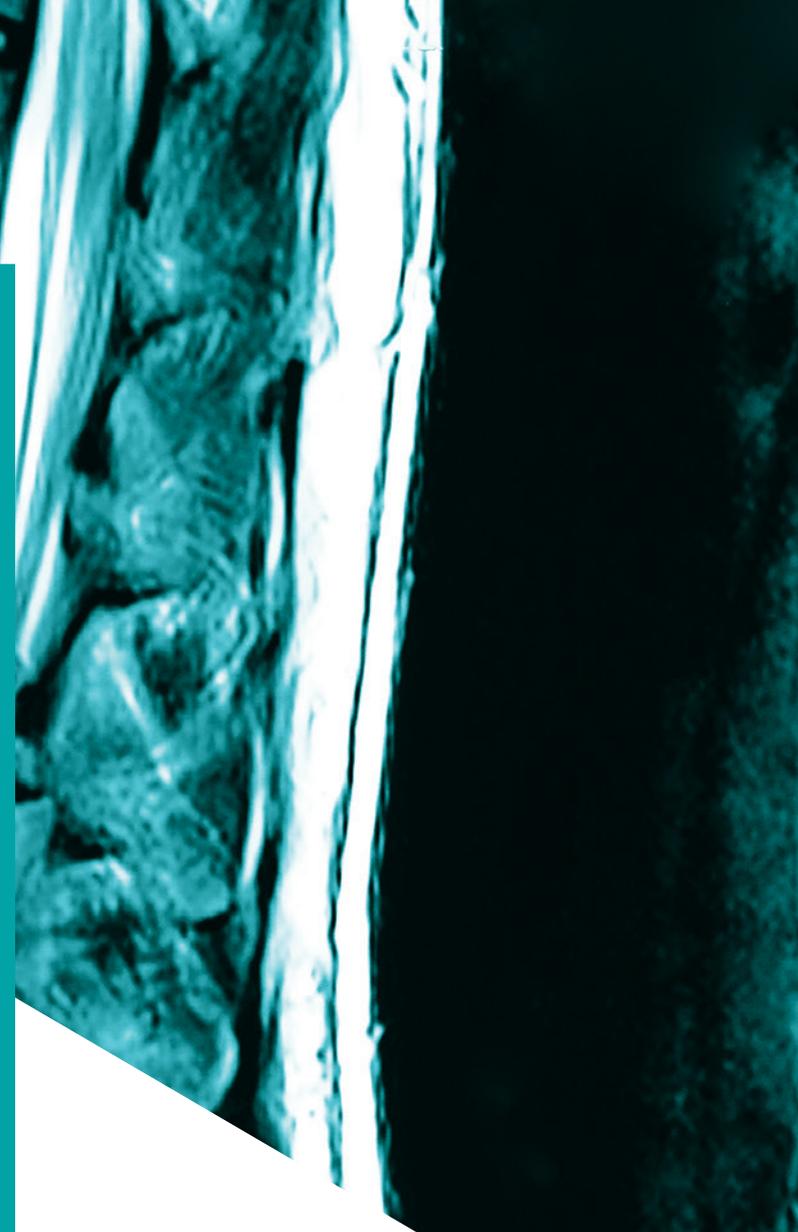
Acknowledgement of Country

Integral Diagnostics (IDX) acknowledges Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia. We proudly recognise Elders past, present and emerging as the Traditional Owners of the lands on which we work and live.

We're committed to supporting Indigenous self-determination and envision a future where all Australians embrace Aboriginal and Torres Strait Islander histories, cultures and rights as a central part of our Australian identity.

IDX recognises the status of Māori as Tangata Whenua and embraces the guiding Principles of Te Tiriti o Waitangi.

We seek to grow our understanding of Kaupapa Māori, Tikanga Māori and Te Ao Māori in order to uphold our Te Tiriti responsibilities.



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Integral Diagnostics Interim Report HY24

Directors' Report

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DIRECTORS' REPORT

The directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Group') consisting of Integral Diagnostics Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half year ended 31 December 2023.

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:

Toby Hall (Independent Non-Executive Chair) appointed 28 September 2023 as Independent Non-Executive Director and 29 November 2023 as Independent Non-Executive Chair

Helen Kurincic (Independent Non-Executive Chair) retired 29 November 2023

John Atkin (Independent Non-Executive Director) retired 31 August 2023

Raelene Murphy (Independent Non-Executive Director)

Dr Ian Kadish (Managing Director and Chief Executive Officer)

Dr Nazar Bokani (Executive Director), retired 9 August 2023

Dr Jacqueline Milne (Executive Director)

Andrew Fay (Independent Non-Executive Director)

Ingrid Player (Independent Non-Executive Director) appointed 29 August 2023

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

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

Review of operations

Revenue for 1H FY24 was up 7.2% to \$231.3m (1H FY23: \$215.7m).

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DIRECTORS' REPORT

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FY24 replacement and growth capex is expected to be between \$30.0m to \$40.0m.

Acquisitions & integration

The Company did not make any significant acquisitions in the current period.

Cash flow & capital management

Net debt increased by \$15.8m to \$210.0m (1H FY23: \$194.2m). The Group's net debt to equity ratio at 31 December 2023 was 69.9% driven by the impairment loss recognised in the New Zealand division (1H FY23: 52.4%) and net debt/EBITDA ratio at 31 December 2023 was 3.0x (1H FY23: 3.1x).

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Dividend

A fully franked interim dividend of 2.5 cents per share (1H FY23: 2.5 cents per share) has been declared, representing a dividend payout ratio of 78.9% of Operating NPAT. The Dividend Reinvestment Plan (DRP) will again be available for participation for the 1H FY24 dividend distribution, at a 1.5% discount.

Subsequent events

A fully franked interim dividend of 2.5 cents per share was declared on 20 February 2024.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

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

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Comparatives

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

Auditor's independence declaration

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

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

20 February 2024
Melbourne



Toby Hall
Independent Non-Executive Chair



Dr Ian Kadish
Managing Director and Chief Executive Officer

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the review of Integral Diagnostics Limited for the half-year ended 31 December 2023, 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 that reads 'Niamh Hussey'.

Niamh Hussey
Partner
PricewaterhouseCoopers

Melbourne
20 February 2024

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the half year ended 31 December 2023

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Revenue			
Revenue		231,253	215,701
Interest and other income		379	244
Total revenue and other income	4	231,632	215,945
Expenses			
Consumables		(11,387)	(10,674)
Employee benefits expense		(145,187)	(135,189)
Depreciation		(13,649)	(12,227)
Amortisation of customer contracts		(806)	(1,227)
Amortisation of right of use asset		(8,391)	(7,916)
Transaction and integration costs (net of adjustments to contingent consideration)		(3,088)	9,669
Share based payment expense		(682)	(1,262)
Equipment related expenses		(7,625)	(7,773)
Occupancy expenses		(5,377)	(4,075)
Other general expenses		(18,239)	(18,017)
Impairment expense	8	(71,491)	-
Finance costs		(11,417)	(8,561)
Share of net profits of joint ventures accounted using the equity method		(60)	(210)
Total expenses		(297,399)	(197,462)
Profit/(Loss) before income tax expense		(65,767)	18,483
Income tax expense		(989)	(2,346)
Profit/(Loss) for the half-year from continuing operations		(66,756)	16,137
Profit/(Loss) is attributable to:			
Owners of Integral Diagnostics Limited		(66,756)	16,137
		31 Dec 2023 Cents	31 Dec 2022 Cents
Earnings/(Loss) per share attributable to the owners of Integral Diagnostics Limited			
Basic earnings/(loss) per share		(28.62)	6.94
Diluted earnings/(loss) per share		(28.62)	6.85

The above 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 half year ended 31 December 2023

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Profit/(Loss) for the half-year		(66,756)	16,137
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations, net of tax		813	2,249
		813	2,249
Total comprehensive income/(loss) for the half-year		(65,943)	18,386
Total comprehensive income/(loss) for the half-year is attributable to: Owners of Integral Diagnostics Limited		(65,943)	18,386

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	5	17,988	33,855
Trade and other receivables		22,351	21,690
Income tax receivable		13,249	96
Other assets		10,230	5,250
Inventory		1,853	1,848
Total current assets		65,671	62,739
Non-current assets			
Property, plant and equipment	6	151,202	153,059
Right-of-use assets		124,805	129,397
Intangible assets	7	404,114	474,772
Deferred tax assets		-	3,807
Investments		5	15
Total non-current assets		680,126	761,050
Total assets		745,797	823,789
Liabilities			
Current liabilities			
Trade and other payables		28,280	31,145
Borrowings	9	3,288	2,454
Lease liabilities	14	14,595	14,214
Contingent consideration	15	10,922	7,479
Provisions		28,986	27,375
Total current liabilities		86,071	82,667
Non-current liabilities			
Borrowings	9	220,471	221,142
Lease liabilities	14	123,138	127,266
Contingent consideration	15	426	7,778
Deferred tax liabilities		6,566	2,367
Provisions		8,750	9,521
Total non-current liabilities		359,351	368,074
Total liabilities		445,422	450,741
Net assets		300,375	373,048
Equity			
Contributed capital	10	333,928	333,280
Reserves		(8,293)	(9,788)
Retained profits/(Accumulated losses)		(25,260)	49,556
Total equity		300,375	373,048

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 2023

	Note	Contributed Capital \$'000	Reserves \$'000	Retained Profits \$'000	Total Equity \$'000
Balance at 1 July 2022		322,543	(12,455)	37,156	347,244
Profit for the half-year after income tax expense		-	-	16,137	16,137
Movement on translation of foreign operations		-	2,249	-	2,249
Total comprehensive income for the period		-	2,249	16,137	18,386
Transactions with owners in their capacity as owners:					
Shares issued under radiologist incentive scheme	10	1,322	-	-	1,322
Share based payments		-	1,262	-	1,262
Shares issued as consideration for a business combination		9,023	-	-	9,023
Dividends paid	11	196	-	(6,885)	(6,689)
Balance at 31 December 2022		333,084	(8,944)	46,408	370,548

	Note	Contributed Capital \$'000	Reserves \$'000	(Accum. Losses)/ Retained Profits \$'000	Total Equity \$'000
Balance at 1 July 2023		333,280	(9,788)	49,556	373,048
Profit for the half-year after income tax expense		-	-	(66,756)	(66,756)
Movement on translation of foreign operations		-	813	-	813
Total comprehensive loss for the period		-	813	(66,756)	(65,943)
Transactions with owners in their capacity as owners:					
Shares issued under radiologist incentive scheme	10	291	-	-	291
Acquisition of treasury shares by IDX Equity Trust	10	(87)	-	-	(87)
Share based payments		-	682	-	682
Shares issued as consideration for a business combination		-	-	-	-
Dividends paid	11	444	-	(8,060)	(7,616)
Balance at 31 December 2023		333,928	(8,293)	(25,260)	300,375

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2023

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Cash flows from operating activities			
Receipts from customers		228,895	216,164
Payments to suppliers and employees		(195,944)	(173,309)
Transaction and integration costs relating to acquisition of subsidiaries		(716)	(4,412)
Interest and other finance costs paid		(11,257)	(8,213)
Interest received		379	125
Income taxes paid		(6,147)	(5,771)
Net cash from operating activities		15,210	24,584
Cash flows from investing activities			
Payments for purchase of subsidiaries, net of cash acquired		-	(84,812)
Payments in settlement of contingent consideration	15	(4,025)	-
Payments for property, plant and equipment	6	(11,654)	(13,146)
Disposals of property, plant and equipment	6	(114)	(446)
Payment for investment in joint venture entity		-	(50)
Net cash used in investing activities		(15,793)	(98,454)
Cash flows from financing activities			
Proceeds from issue of share capital		291	1,322
Repayment of borrowings		(562)	(2,156)
Repayment of the principal element of lease liabilities		(7,535)	(6,281)
Dividends paid to Company shareholders		(7,616)	(6,689)
Payment for shares held in trust		(87)	-
Net cash from financing activities		(15,509)	(13,804)
Net increase (decrease) in cash and cash equivalents		(16,091)	(87,674)
Cash and cash equivalents at the beginning of the half-year		33,855	123,193
Effects of exchange rate changes on cash and cash equivalents		224	284
Cash and cash equivalents at the end of the half-year	5	17,988	35,803

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

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NOTES TO THE FINANCIAL STATEMENTS

Note 1. General information

The financial report covers Integral Diagnostics Limited as a Group consisting of Integral Diagnostics Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the 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 20 February 2024.

2. Material accounting policies

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2023 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 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The material 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. While the Group is in a net current asset deficit position at 31 December 2023, the Group has sufficient operating cash flows and available debt facilities to pay its debts as and when they fall due.

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.

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NOTES TO THE FINANCIAL STATEMENTS

3. Segment information

Identification of reportable operating segments

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

Accounting policy for operating segments

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

Other information

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

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
<i>Total revenue and other income from continuing operations</i>		
Australia	203,776	189,140
New Zealand	27,856	26,805
	231,632	215,945
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
<i>Total non-current assets</i>		
Australia	595,704	607,537
New Zealand	84,423	153,512
	680,127	761,050

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4. Revenue and other income

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Sales revenue		
Services revenue	231,253	215,701
Other income	379	244
Revenue and other income	231,632	215,945
Timing of revenue recognition		
At a point in time	221,886	206,961
Over time	9,746	8,985
	231,632	215,945

5. Cash and cash equivalents

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Cash on hand	24	22
Cash at bank	17,964	33,833
	17,988	33,855

6. Property, plant and equipment

During the six months ended 31 December 2023, the Group acquired assets and work in progress with a cost of \$11.7m (half year ended 31 December 2022: \$17.1m excluding those assets acquired as part of the acquisition of the Peloton Radiology Group and Horizon Radiology Group on 1 July 2022 as disclosed in Note 34 of the 2023 Annual Report).

During the six months ended 31 December 2023, the Group disposed of assets with a written down value of (\$0.1m) (half year ended 31 December 2022: (\$0.4m)).

NOTES TO THE FINANCIAL STATEMENTS

7. Intangible assets

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Goodwill - at cost	374,518	444,477
Brand names - at cost	28,864	28,763
Customer contracts - at cost	17,752	17,625
Less: Accumulated amortisation	(17,020)	(16,093)
	732	1,532
Total intangible assets	404,114	474,772

Reconciliations:

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

	Note	Goodwill \$'000	Brand Names \$'000	Customer Contracts \$'000	Total \$'000
Balance at 1 July 2023		444,477	28,763	1,532	474,772
Amortisation expense		-	-	(806)	(806)
Impairment expense	8	(71,491)	-	-	(71,491)
Foreign exchange differences		1,532	101	6	1,639
Balance at 31 December 2023		374,518	28,864	732	404,114

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

	Australia \$'000	New Zealand \$'000	Total \$'000
Goodwill	301,085	73,433	374,518
Brand names	19,225	9,639	28,864
Customer contracts	430	302	732
Balance at 31 December 2023	320,740	83,374	404,114

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.

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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 value-in-use 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, Health Benefits Limited and Health Alliance in New Zealand.

8. Impairment test for intangible assets

Goodwill and brand name assets were last tested for impairment at 30 June 2023. This test involved the preparation of value in use calculations to ensure that recoverable amounts for these assets exceeded their carrying values. Impairment testing requires a high degree of judgement in assessing whether the carrying value of assets is supported by their recoverable amount. Further details regarding this testing were disclosed in Note 14 to the Group's Consolidated Financial Statements for the year ended 30 June 2023.

At 31 December 2023, the Group has considered whether there are any impairment indicators that warrant impairment testing. For both cash generating units (CGU) in Australia and New Zealand, persistent cost inflation and a tight labour supply market placing continued pressure on earnings margin were considered impairment indicators. The recoverable amount of the two CGUs was determined based on value-in-use calculations utilising five year forecasts, consistent with the methods used as at 30 June 2023, as disclosed in Note 14 of the 2023 Annual Report.

The timing of a return to target cost inflationary ranges in Australia and New Zealand and their impact on earnings margins remain uncertain at this stage and will be continually monitored and acted upon appropriately.

Based on an assessment of this matter, including the expected recovery in performance going forward, impairment testing concluded the following:

- The recoverable amount is determined based on value-in-use calculations which require the use of assumptions to forecast future cash flows.
- At 31 December 2023, the recoverable amount of the Australian CGU is estimated to exceed its carrying value by \$317.9m.
- The recoverable amount of the New Zealand CGU was estimated to be less than its carrying value, and as a result an impairment loss of \$71.5m has been recorded, which has reduced the carrying value of goodwill to \$74.3m at 31 December 2023.

As the macroeconomic environment continues to stabilise after the COVID-19 pandemic, inflationary cost pressures and a tight labour market for clinical practitioners continue to persist. The five year compound annual revenue growth rate and long term earnings margin assumption have been reassessed to reflect this slower recovery in operating conditions.

This situation will continue to be monitored and tested again at the 30 June 2024 financial year end.

Key assumptions

Five year compound annual growth rate

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 are consistent with the long-term strategic growth forecasts for the Group.

The value-in-use calculations have been assessed for the sensitivity of the five-year compound annual growth rate as a key input. A reasonably possible decrease in the five-year compound annual growth rate would further increase the estimated impairment loss recognised for the New Zealand CGU.

Long term growth rate

The long term growth rate used to calculate the terminal value for both the Australian and New Zealand value-in-use calculations remain consistent with prior period assumptions.

NOTES TO THE FINANCIAL STATEMENTS

Long term earnings margin

The long term earnings margin used to calculate the terminal value for both the Australian and New Zealand value-in-use calculations are based on financial budgets approved by the Board, extrapolated for the five year compound annual growth rate for revenue and estimated cost inflation. These margins are consistent with the long-term strategic growth forecasts for the Group.

The value-in-use calculations have been assessed for the sensitivity of the long term earnings margin as a key input. A reasonably possible decrease in the long term earnings margin would further increase the estimated impairment loss recognised for the the New Zealand cash generating unit.

Pre-tax discount rate

The pre-tax discount rate has been assessed to reflect the current weighted average cost of capital for the Group.

Regulatory environment

The calculations assume the continuation of a stable regulatory environment for healthcare services in Australia and New Zealand.

The key assumptions and the degree to which they would have to change for the recoverable amount of each CGU to equal its carrying value are as follows:

	31 Dec 2023	30 Jun 2023	Break even rate
Australia			
Five year compound growth rate	6.1%	7.0%	4.5%
Long term growth rate	2.5%	2.5%	(6.6%)
Long term earnings margin	22.4%	22.7%	14.2%
Pre-tax discount rate	11.7%	11.8%	17.0%
New Zealand			
Five year compound growth rate	4.8%	6.3%	n.a.
Long term growth rate	2.5%	2.5%	n.a.
Long term earnings margin	30.0%	45.1%	n.a.
Pre-tax discount rate	13.7%	13.5%	n.a.

Sensitivity analysis

The Group has considered the following changes in key assumptions to be reasonably possible, and their estimated impact on value-in-use if they occurred in isolation:

	Current Assumption	Reasonable change in assumption	Impact of change on value-in-use \$000s
Australia			
Five year compound growth rate	6.1%	(0.5%)	(114,000)
Long term growth rate	2.5%	(0.5%)	(49,000)
Long term earnings margin	22.4%	(2.5%)	(94,000)
Pre-tax discount rate	11.7%	1.0%	(81,000)
New Zealand			
Five year compound growth rate	4.8%	(0.5%)	(12,000)
Long term growth rate	2.5%	(0.5%)	(5,000)
Long term earnings margin	30.0%	(2.5%)	(9,000)
Pre-tax discount rate	13.7%	1.0%	(10,000)

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9. Borrowings

	Note	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Current			
Asset financing facility		3,288	2,454
Non-current			
Asset financing facility		189	2,190
Club debt facility		220,282	218,952
		220,471	221,142
Total borrowings		223,759	223,596

Accounting policy for borrowings

The Group has committed facilities of \$354.4m, of which \$126.3m remains undrawn (subject to banking facility financial covenant compliance). The Group is in compliance with all covenant requirements under the debt facility. Under the current lending arrangement the cash advance facilities expire in February 2026.

10. Contributed capital

	Consolidated		Consolidated	
	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
	Shares	Shares	\$'000	\$'000
Ordinary shares – fully paid	233,469,969	233,029,358	334,015	333,280
Treasury shares - fully paid	(46,187)	-	(87)	-
Total Shares - fully paid	233,423,782	233,029,358	333,928	333,280

Contributed capital movements relate to the issuance of shares as consideration and acquisition of treasury shares for employee share schemes and the issuance of shares for the dividend reinvestment plan. Refer to the statement of changes in equity for further detail of the movements in paid up capital for the period.

	Date	Number of Shares	Price	Total \$'000
Balance at 30 June 2023		233,029,358		333,280
Shares issued under radiologist loan share scheme – self-funded ¹	6 September	96,349	3.02	291
Shares issued under radiologist loan share scheme – loan-funded ¹	6 September	192,698	-	-
Shares issued under dividend reinvestment plan (DRP)	4 October	151,564	2.93	444
Acquisition of treasury shares by IDX Equity Trust	12 December	(46,187)	1.87	(87)
Balance at 31 December 2023		233,423,782		333,928

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

NOTES TO THE FINANCIAL STATEMENTS

11. Dividends

Dividends paid during the period were as follows:

	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Dividend paid 3.0 cents per share on 5 October 2022	-	6,885
Dividend paid 3.5 cents per share on 4 October 2023	8,060	-
	8,060	6,885

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12. Related party transactions

Key management personnel

All transactions with Key Management Personnel (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, which 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 Rules, accounting requirements and in accordance with good governance policies. This is to ensure that a financial benefit is not provided to related parties without approval by the Board, and where required, shareholders.

The following transactions occurred with related parties:

	Consolidated \$ ¹	KMP interest %	KMP interest \$
31 December 2023			
Payment for teleradiology services to Tele-Rad Consultancy L.L.C-FZ of which Dr. Nazar Bokani is related	61,315	100%	61,315
31 December 2022			
Payment for teleradiology services to Tele-Rad Consultancy L.L.C-FZ of which Dr. Nazar Bokani is related	-	100%	-

1. Amounts represent the payments for the period of the year in which Dr. Nazar Bokani was a member of KMP. Dr. Bokani resigned as a director on 9 August 2023, and ceased to be KMP at this date.

The above related party transactions relate to teleradiology services provided to the Group by Dr Bokani and are on commercial terms consistent with other teleradiology providers to the Group.

Loans to related party

	Consolidated	
	31 Dec 2023 \$	31 Dec 2022 \$
Loan to key management personnel		
Balance at the beginning of the year	446,614	454,658
Balance on appointment as KMP	-	-
Repayments	(5,120)	(4,388)
Loans balance held on appointment as KMP	441,494	450,270

Dr Bokani is a 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 four-year continuous service condition, has a 10-year term, and is repayable in full on 1 March 2029 and is thus accounted for as a share option. These terms are consistent with those offered to other radiologists under rules governing the loan share scheme.

13. Contingent liabilities and commitments

The Group had given bank guarantees at 31 December 2023 of \$3.2m (30 June 2023: \$3.3m) to various landlords.

The Group had capital commitments for plant and equipment of \$12.9m at 31 December 2023 (30 June 2023: \$10.3m).

There has been no other significant change to the substance or value of commitments to those disclosed in the 30 June 2023 financial report.

NOTES TO THE FINANCIAL STATEMENTS

14. Leases

Reconciliation of movements for the period:

	31 Dec 2023 \$'000
Lease liabilities recognised at 1 July 2023	141,480
Lease liabilities assumed on acquisition	-
Remeasurement of liability for CPI adjustments	3,534
Early termination of leases	(901)
New leases entered during the period	793
Repayment of lease liabilities, net of interest	(7,411)
FX movements	238
Lease liabilities recognised at 31 December 2023	137,733
Representing:	
Current lease liabilities	14,595
Non-current lease liabilities	123,138
Total lease liabilities recognised at 31 December 2023	137,733

15. Fair value measurement

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

Contingent consideration

The contingent consideration provision for the Earn out A liability for the Imaging Queensland Group is valued at \$2.2m based on the valuation provided by an Independent Expert, sought as part of the dispute resolution process provided for in the Share Sale Contract, as disclosed in Note 20 of the Group's Consolidated Financial Statements for the year ended 30 June 2023. The Group has made efforts to settle the \$2.2m liability for Earn out A, based on the valuation provided by the independent expert, however the vendors have declined settlement, and the matter remains in dispute at the date of this report. The provision for Earn out B liability remains unchanged at \$5.5m.

The contingent consideration provision relating to the earn out liability for the Peloton Radiology Group remains unchanged at \$1.0m based on the Group's estimation of the amount likely to be paid out at the conclusion of the earn out period at 30 June 2024.

The contingent consideration provision relating to the earn out liability for the Horizon Radiology Group remains unchanged at \$1.4m based on the Group's estimation of the amount likely to be paid out at the conclusion of the earn out period at 31 March 2024.

The movements in each element of the contingent consideration provision during the half year are set out below:

	31 Dec 2023 \$'000
Consolidated	
Carrying amount at 1 July 2023	15,257
Recognised on business combination	-
Adjustments taken through profit or loss	101
Foreign exchange differences	15
Amounts paid during the financial period	(4,025)
Balance at 31 December 2023	11,348

16. Events after the reporting period

A fully franked interim dividend of 2.5 cents per share was declared on 20 February 2024.

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 2023 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.



Toby Hall
Independent Non-Executive Chair



Dr Ian Kadish
Managing Director and Chief Executive Officer

20 February 2024
Melbourne

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



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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Integral Diagnostics Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2023, 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, selected 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 2023 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Responsibilities of the directors for the half-year financial report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true

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



and fair view of the Group's financial position as at 31 December 2023 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 handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Niamh Hussey' in a cursive script.

Niamh Hussey
Partner

Melbourne
20 February 2024

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