

# Appendix 4E

## Preliminary Final Report

Name of entity

**ITL Limited**

ABN or equivalent company reference

**16 088 212 088**

### 1.0 Details of the reporting period and the previous corresponding period

Reporting Period: 30 June 2017

Previous Corresponding Period: 30 June 2016

### 2.0 Results for announcement to the market

Should be read in conjunction with most recent annual financial report

\$A'000

2.1 Revenues from ordinary activities	Up	12%	to	34,774
2.2 Profit/(loss) after tax from ordinary activities attributable to members	Up	897%	to	3,429
2.3 Net profit/(loss) for the period attributable to members	Up	897%	to	3,429
2.4 Dividends		Amount per share		Franked Amount per share
Nil dividends paid or declared		Nil		Nil
2.5 Record date for determining entitlements to the final dividend			n/a	
2.6 Brief explanation of any of the figures reported above necessary to enable the figures to be understood.				
Refer to ASX Announcement and attached Review and Results of Operations				

<b>3.0 NTA Backing</b>	<b>Current period 30 June 2017</b>	<b>Previous Period 30 June 2016</b>
Net tangible asset backing per ordinary security	11.5 cents	9.1 cents
Net Asset Backing per ordinary security	18.4 cents	15.0 cents

**4.0 Control gained or lost over entities having material effect**

Nil

**5.0 Material interests in entities which are not controlled entities**

The economic entity has an interest (that is material to it) in the following entities. Nil

**6.0 Compliance Statement**

The preliminary final report has been prepared based on 30 June 2017 accounts which have been audited by an independent Audit Firm in accordance with the requirements of S302 of the *Corporations Act 2001*.

Attachments forming part of Appendix 4E:

1. Annual Report



Signed here: .....

Date: 21 August 2017

William Mobbs  
Executive Chairman



**2017**  
**Annual Report**

# ITL 2017 ANNUAL REPORT

## Contents to financial report

CHAIRMAN'S MESSAGE TO SHAREHOLDERS .....	1
COMPANY PROFILE .....	2
CORPORATE GOVERNANCE STATEMENT .....	3
DIRECTORS' REPORT .....	4
AUDITOR'S INDEPENDENCE DECLARATION .....	20
CONSOLIDATED STATEMENT OF PROFIT OR LOSS .....	21
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	22
CONSOLIDATED BALANCE SHEET .....	23
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	24
CONSOLIDATED STATEMENT OF CASH FLOWS .....	25
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS .....	26
Note 1: Statement of Significant Accounting Policies.....	26
Note 2: Revenue and Other Income .....	40
Note 3: Expenses .....	40
Note 4: Income Tax (Benefit)/Expense .....	41
Note 5 Auditor's Remuneration:.....	42
Note 6: Dividends Paid and Proposed.....	43
Note 7: Earnings Per Share .....	43
Note 8: Cash and Cash Equivalents.....	43
Note 9: Trade and Other Receivables .....	44
Note 10: Inventories .....	44
Note 11: Other Current Assets.....	44
Note 12: Property, Plant and Equipment.....	45
Note 13: Product Tooling.....	47
Note 14: Intangible Assets .....	48
Note 15: Goodwill .....	50
Note 16: Trade and Other Payables.....	50
Note 17: Borrowings.....	51
Note 18: Tax Assets / (Liabilities) .....	52
Note 19 Provisions .....	52
Note 20: Issued Capital .....	53
Note 21: Reserves .....	54
Note 22 Capital and Leasing Commitments .....	55
Note 23: Cash Flow Information .....	56
Note 24: Contingent Liabilities and Contingent Assets .....	57
Note 25: Controlled Entities .....	57
Note 26: Related Party Transactions .....	58
Note 27: Events After Balance Sheet Date.....	59
Note 28: Financial Risk Management .....	59
Note 29: Operating Segments .....	65
Note 30: Share-based Payments.....	69
Note 31: Parent Entity Information .....	70
Note 32: Company Details .....	71
DIRECTORS' DECLARATION .....	72
AUDITOR'S REPORT .....	73
SHAREHOLDER INFORMATION .....	78

## Chairman's Message to Shareholders

ITL HealthGroup ("ITL") financial results for the year are, as highlighted in our 14 June 2017 ASX release, very positive driven by strong revenue, profit growth and cash generation.

- Revenue was up 12% to \$34.8m (2016: \$31.1m);
- Profit before tax of \$3.6m (2016: \$0.3m);
- EBITDA was \$4.8m (2016: \$1.6m);
- Profit after tax of \$3.4m (2016: \$0.3m);
- Earnings per share of 3.6 cents (2016: 0.4 cents);
- Net asset backing per share 18.4 cents (2015: 15.0 cents)
- Net debt \$2.6m (2016: \$5.5m)

In 2015/16 ITL implemented a range of growth initiatives which are reflected in the financial results in 2016/17.

Revenues are up 12% through development of new customers and markets and by continued introduction of new and innovative products. ITL continues to invest, spending more than \$4m on:

- R&D for new products;
- development of the MyHealthTest business and;
- increased sales and marketing activities to expand current markets and diversify into new markets.

Profits in the Group have grown strongly as ITL benefits from investments in patented, innovative products; manufacturing efficiencies driven by further investment in our state of the art manufacturing facility in Malaysia and; from reductions in raw material costs from strategic sourcing and business improvement projects.

The development of products, systems and processes in the MyHealthTest direct to consumer pathology business that ITL acquired in 2015 has been pleasing to the Board.

The Board is confident this trend will continue as the Group takes advantage of new products due to be released during the next 12 months and from expansion of its customer base.



William Mobbs  
Executive Chairman

## Company Profile

### History

Over the years ITL Limited and Controlled Entities (“ITL”) have grown from a small privately owned research and development venture into a multi-million dollar, publicly listed company manufacturing and supplying products into the Australian and global healthcare markets (now into 55 countries).

### ITL BioMedical (“BioMed”)      HealthCare Australia (“HCA”)

BioMed designs, manufactures, markets and distributes a range of biological safety sampling devices and hospital single use devices for the global human healthcare market.

BioMed’s capabilities and expertise include development and commercialisation of new patented products from initial concept through to sales. The division is located across three continents to leverage the unique geographical advantages of each area:

- Management and new product development is based in Australia;
- Manufacturing and tool making are based in Malaysia. Our manufacturing facility is TUV accredited, Quality Management System is ISO 13485: 2003 certified and, the Environmental Management System is ISO 14001: 2004 certified. Products include FDA 510K and/or CE mark as necessary; and
- Sales and marketing is based in North America where our largest customers and markets are located.

BioMed distributes predominantly its own proprietary range of products and has an extensive intellectual property portfolio including a pipeline of new patents, trademarks and designs. Its customer base includes some of the largest multinational healthcare suppliers in the world.

BioMed is focused on providing year on year profit growth and leveraging its extensive and proven product commercialization resources to expand its product range and penetration in the global market.

HCA is an Australian healthcare company that provides medical and surgical solutions to suit the individual needs of both public and private hospitals throughout Australia. Its goal is to provide quality innovative products that make healthcare professionals’ jobs easier whilst still providing best practice efficiencies and cost effectiveness.

HCA has three core product areas:

- Customised Procedure Packs,
- Invasive Blood Pressure Monitoring kits and;
- Intravenous Blood Access Starter kits

which consist of products that have been created in consultation with Australian healthcare practitioners for the Australian market.

HCA’s unique point of difference is a state of the art ethylene oxide steriliser and class 8 clean room assembly facility which enables HCA to pursue other potential areas for strong growth including OEM manufacturing of kits.

### MyHealthTest (“MHT”)

MyHealthTest is a direct to consumer pathology service that helps people monitor and manage their health and wellbeing. The service is ordered online and a simple fingerprick blood sample is collected from the convenience of home. The sample is mailed back through the regular mail service, processed in MyHealthTest’s NATA accredited laboratory and test results are delivered to the individual via a secure website.

The MyHealthTest Diabetes test service is used to both screen for diabetes risk and to monitor diabetes. Since its launch in late 2015 the test service has been recommended by Diabetes Australia and has been featured nationally in TV, radio and print media. New tests for cholesterol, prostate and thyroid conditions are to be launched in late 2017, and development of additional tests in partnership with major universities is underway.

## Corporate Governance Statement

Our corporate governance statement for the period can be found at <https://www.itlhealthgroup.com/corporate-governance/>. The Corporate Governance statement is accurate and up to date as of 16 August 2017 and has been approved by the Board.

## Directors' Report

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2017.

### Directors

The names of directors in office at any time during or since the end of the year are:

*Executive director:*

Mr William Mobbs Executive Chairman

*Non-executive directors:*

Mr Andrew Turnbull

Mr Mark Peatey

### Principal Activities

The principal activities of ITL during the financial year were:

- Development, manufacture, distribution and sale of innovative medical devices
- Manufacture, distribution and sale of medical procedure packs
- Continued development of direct to consumer pathology testing

There were no other significant changes in the nature of the Group's principal activities during the year.

### Dividends Paid or Recommended

The Board has not declared a dividend for the year ended 30 June 2017.

### Review and Results of Operations

Profit after tax for the Consolidated Group for the year ended 30 June 2017 was \$3,429k, which was \$3,085k above the prior year 2015/16 profit of \$344k.

Earnings per share for the year ended 30 June 2017 was 3.58 cents compared with the prior year outcome of 0.38 cents per share.

Income tax expenses was \$124k (2016: \$15k benefit). This reflects the continuation of benefits of tax losses from prior years in Australia and the benefit of reinvestment and other allowances arising from capital expenditure in Malaysia.

Profit before tax was \$3,553k (2016: \$329k).

Consolidated revenue was \$34,774k an increase of 12% compared with the prior year of \$31,083k. Revenue for Healthcare Australia was up 6% to \$21,073k driven by both price and margin improvement measures and volume growths in the Custom Procedure Pack and IV Insertion Kit product groups. ITL BioMedical revenue increased 26% to \$17,560k (consisting of \$13,690k of external sales and \$3,870k of sales to Healthcare Australia) due to improved market conditions; expansion of markets from sales and marketing activities and; introduction of innovative new products.



## Directors' Report

Whilst achieving a 12% increase in revenue, gross profit was up \$4,652k or 42% due to :

- Growth in sales in higher margin products developed by ITL;
- Business improvement projects to maximise sales and purchasing opportunities and;
- Improved manufacturing performance driving efficiency improvements

Other Income decreased from \$387k to \$216k due to \$287k of grant income received in MyHealthTest in previous year.

Expenses increased 11%, in line with the increased sales and resources required to both manage these increased activity levels and to ensure stability for future growth

Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)\* for the year ended 30 June 2017 was \$4,786k (2016: \$1,627k). The reconciliation between Profit before tax and EBITDA\* is as follows:

	<u>2017</u> \$'000	<u>2016</u> \$'000
Profit before Income Tax	3,553	329
Add back/(deduct):		
Depreciation and amortisation expense	862	935
Interest Expense	371	386
Interest Income	-	(23)
EBITDA*	<u>4,786</u>	<u>1,627</u>

\*The Directors believe that EBITDA as a non-IFRS profit measure is useful to investors as it provides further information on the Group's underlying profitability and is derived from information that has been audited.

Group Operating Cashflow for the year ended 30 June 2017 was \$5,350k (2016: \$457k). This improvement reflected predominantly the higher cash profit together with improved working capital controls in inventories and debtors.

Capital expenditure of \$2,453k (2016: \$1,023k) primarily related to ITL Biomedical's Malaysian manufacturing facility and product and systems development in MyHealthTest.

The net debt position was \$2,594k at 30 June 2017 (2016: \$5,525k). The Group's gearing, measured as net debt as a percentage of net debt plus equity, was 13% (2016: 28%).

## Directors' Report

### Strategy and Outlook

2015/16 was a year where ITL implemented strategic growth initiatives so as to position the ITL HealthGroup for enhanced profitability. These strategies included:

- focus in BioMedical for new markets, new product development and patent driven customer opportunities;
- Expansion and diversification of manufacturing in Malaysia;
- Transfer of certain products from Healthcare Australia to ITL's low cost modern Malaysian production facilities;
- Growth of Healthcare Australia business through increased pack share in NSW & VIC and creation of markets for specialist kit supply in WA and Qld and;
- Strategic sourcing of raw materials to reduce purchase costs

The 2016/17 profit results are directly reflecting these strategies with increased sales in BioMedical from new customers and products and strategic sourcing and customer initiatives driving improved profitability in HCA. ITL has continued investment in the Malaysian plant to support business improvement and product diversification which is both driving current business results and will continue to impact the financial results in future periods.

ITL's investment in MyHealthTest, the direct to consumer pathology test provider for major chronic diseases, has focused on critical systems development and expanding the range of tests, as well as importantly achieving testing laboratory accreditation during the period.

During the period ITL has invested heavily into its future, spending over \$4m on development costs including direct product development and business and market development activities. The majority (\$3m) of these costs have been expensed.

ITL derives competitive advantage from a strong focus on R&D, innovation and continued product improvement, and will continue to pursue high margin opportunities in emerging healthcare markets with quick development of innovative patented products. ITL intends to continue reducing identified key risks, drive product growth and enter new markets in order to keep driving business growth.

## Directors' Report

### Significant Changes in State of Affairs

At the Annual General Meeting of the company held on 27 October 2016, it was resolved that ITL Limited authorise and approve the buyback of up to 15% of the issued ordinary shares through an on-market buy-back. Based on the number of shares outstanding at the close of 26 October 2016 of 95,928,314 the maximum amount of the buyback over the following 12 months was 14,389,247 shares. However, no shares have been bought back under the program in the period to 18 August 2017.

At the 27 October 2016 AGM, approval was also obtained for an additional 10% share placement capacity in addition to the 15% capacity available under Listing Rule 7.1. This facility has not been utilised during the period to 18 August 2017.

### Events After Balance Sheet Date

At the close of 18 August 2017 nil ordinary shares have been bought back since 30 June 2017. On 1 August 2017 922,034 shares were issued to key management personnel under the long term incentive plan. Issued capital at the close of business on 18 August 2017 is 96,850,348 ordinary shares.

There has not been any other matter or circumstance in the interval between the end of the year and the date of this report that has materially affected or may materially affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

### Future Developments, Prospects and Business Strategies

The ITL HealthGroup has three business units which operate in different geographic regions with different product groupings to take advantage of these markets. Each business unit has been working on a pipeline of opportunities which are expected to lead to growth in the future and to reduce the key risks identified from price erosion and lack of customer acceptance in new products. ITL believes that it has the infrastructure and resources to support this growth.

### Quality and Environment

ITL's quality management systems for its Australian and Malaysian manufacturing facilities are certified to ISO 13485:2003. In addition the Group's Malaysian manufacturing facility is certified to the Environmental Management System ISO 14001:2004 whilst MyHealthTest achieved ISO 15189 – Medical Testing accreditation during the period. The Consolidated Group is subject to the environmental laws of the countries in which they operate.

The management of environmental risks and compliance with environmental laws is regarded as a key issue. The company monitors compliance with existing and new environmental regulations as they come into force.

The directors are not aware of any significant breaches of environmental regulations during the financial year.

## Directors' Report

### Information on Directors

<b>William Mobbs</b>	-	Executive Chairman (appointed as Director 18 August 2010 and as Executive Chairman 12 October 2010)
Qualifications	-	MBA, BSc, FAICD
Experience and Directorships held in other listed entities	-	Mr Mobbs is a founder of the ITL Group and brings over 23 years' experience in the medical and healthcare industry. Mr Mobbs has invented many new concepts for a range of innovative medical products and holds many patents.  He is currently a director of Targeted Genomics Pty Ltd and not-for-profits Hospital Intellectual Property Group Limited and Hospital Intellectual Property NSW Limited.  Mr. Mobbs is a former chairman of London AIM listed Seeing Machines Limited, startup direct -to-consumer pathology company MyHealthTest (now part of the ITL Group), Admin Bandit (IT Services) and a former director of Connexion Business Solutions (IT Services/solutions), as well as a former industry representative to the Therapeutic Goods Administration.
Interest in Shares and Performance Rights	-	Shares: 35,796,868 (as at 18/8/2017) Performance Rights: 1,355,938 (as at 18/8/2017)
Special Responsibilities	-	Executive Chairman

<b>Andrew Turnbull</b>	-	Non-Executive Director (appointed 31 December 2013)
Qualifications		Bachelor of Arts (Accounting); CA; CFP
Experience and Directorships held in other listed entities	-	Andrew Turnbull is an entrepreneur with extensive experience in establishing and expanding businesses. He was previously CEO of Canberra's largest independent accounting and government consulting firm Walter Turnbull and Managing Partner of PwC Canberra office. Since retiring from PwC, Andrew has successfully established a specialised self-managed superannuation business, Greenlight Super. Andrew is currently a non-executive director on a number of private companies and community boards.
Interest in Shares and Performance Rights	-	Shares: 3,113,786 (as at 18/8/2017) Performance Rights: 244,068 (as at 18/8/2017)
Special Responsibilities	-	Chairman of Audit and Risk Management Committee

## Directors' Report

<b>Mark Peatey</b>	-	Non-Executive Director (appointed 1 October 2014)
Qualifications		Bachelor of Economics; CA
Experience and Directorships held in other listed entities	-	<p>Mark Peatey has an extensive career in private business and corporate advisory services. Marks career spans experience in private chartered accountancy practice and commerce. Mark has gained experience reaching a partner of Ernst and Young, worked as a special projects advisor for IBM in the UK, founded a successful 60 person Chartered Accountancy practice called Maxim Chartered Accountants and more recently established a new private sector corporate and business advisory business called P Squared Advisory. Mark has a strong track record and has built a reputation for advising growing and active businesses who need to embrace strategies to fund and grow their business, often involving strategic planning and strong corporate governance, Mark is a key person in his client's businesses.</p> <p>Mark is a corporate governance specialist having established and now sitting on a number of boards of directors of large privately and publicly held businesses encompassing engineering, property development, manufacturing and real estate services. Mark also acted as company secretary for the Telstra 3 float company.</p> <p>Mark is active as an entrepreneur investing in a number of businesses in various stages of growth and maturity and also raises capital for a number of start-ups and management buy outs</p>
Interest in Shares and Performance Rights	-	<p>Shares: 1,402,233 (as at 18/8/2017)</p> <p>Performance Rights: 244,068 (as at 18/8/2017)</p>
Special Responsibilities	-	Member of Audit and Risk Management Committee

### Company Secretary

The Company Secretary at the end of the financial year is Mr. Trevor Doolan. Trevor was appointed as Company Secretary on 19 June 2012. Trevor joined ITL in November 2010 and has been an accountant for over 30 years. He is a member of CPA Australia and holds a Certificate in Governance Practice.

### Directors' Meetings

During the financial year x meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit & Risk Management Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
W Mobbs	9	9	-	-
A Turnbull	9	9	4	4
M Peatey	9	9	4	4

## Directors' Report

### Remuneration Report (audited)

This remuneration report for the year ended 30 June 2017 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, Key Management Personnel includes the Executive Chairman (CEO & chairman of the Board), non-executive directors, senior executives, general managers and company secretary of the Parent and the Group.

### Key Management Personnel

Details of key management personnel are set out below.

#### Directors

William Mobbs	Executive Chairman
Andrew Turnbull	Director (non executive)
Mark Peatey	Director (non executive)

#### Executives

Narinder Kanda	General Manager Healthcare Australia
Craig Wilson	General Manager ITL BioMedical
Nick Cerneaz	General Manager MyHealthTest
Stephanie Norrell	Vice President Sales & Marketing North America
Trevor Doolan	Chief Financial Officer & Company Secretary

There were no changes to Key Management Personnel after the reporting date and before the date the financial report was authorized for issue.

## Directors' Report

### Remuneration Policy

The remuneration policy of ITL Limited has been designed to align executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering short and long-term incentives based on key performance areas affecting the Consolidated Group's financial results. The board of ITL Limited believes the remuneration policy is appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Consolidated Group, as well as create goal congruence between the directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Consolidated Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board after seeking professional advice from independent external consultants.
- All executives receive a base remuneration (which is based on factors such as length of service and experience), superannuation (where applicable), fringe benefits (where stated), performance incentives and are eligible to participate in the Executive Share Plan.
- The board reviews executive packages annually by reference to the Consolidated Group's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on growth of profit. All bonuses and incentives are linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and share based payments. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre executives and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to directors and executives is valued at cost or fair value and expensed.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. It is currently \$300,000 per annum. Non-executive directors are paid a base fee annually and fees are not linked to the profit of the Consolidated Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

To ensure the Board is fully informed when making remuneration decisions, it seeks external remuneration advice as required. Reward & Recognition Consulting Pty Ltd was appointed as independent advisors and made recommendations on the remuneration of KMP in May 2016. This included market data on KMP remuneration and advice on market trends. Total consideration paid for all these services was \$3,500. The Board also engaged Crichton and Associates Pty Ltd in January 2016 for \$4,633 to review the current remuneration and short term incentives of the Executive Chairman. Crichton and Associates Pty Ltd were further engaged in December 2016 to independently review, recommend, design and implement an effective Long Term Incentive program for the Group. The cost of these services was \$23,810. The Board is satisfied that remuneration recommendations were free from undue influence by any members of the KMP to whom the recommendations related based on the independence of the appointed remuneration consultants. Further, the consultants make a declaration to the Board that they operated independently of any ITL KMP and at no time received any advice or direction about the content and structure of their report.

## Directors' Report

### Performance Based Remuneration

As part of each executive's remuneration package there is a performance based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between executives with that of the shareholders. The KPIs are set annually, with consultation with executives to ensure buy-in. The measures are specifically tailored to the areas each executive is involved in and has a level of control over. The KPIs target future growth and profitability of the Group, covering financial and non-financial as well as short and long-term goals.

Performance in relation to the KPIs is assessed annually by the Board to determine if any executives have qualified for bonuses, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the board in the light of the desired and actual outcomes, and their efficiency is assured in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, ITL bases the assessment on audited figures. In certain exceptional circumstances, the Board may take account of other factors impacting on the year's results as well as the extent to which other business objectives have been achieved.

Final bonuses in respect of any year are paid early in the next year following the finalisation of the audited accounts. Bonuses are ultimately dependent on performance of the Consolidated Group and are at the discretion of the Board. Where the performance conditions are not met the minimum amount of bonuses may be nil. Bonuses are fully vested in the financial year they pertain to.

During 2016/17 the Board introduced a return on equity long term incentive ("LTI") plan linking long term executive reward with creation of shareholder value measured by Total Shareholder Return by achieving Compound Annual Growth Rates in the share price over the performance period. The Board has further determined that performance rights will be granted under the LTI as they are most aligned with prevailing Australian market practice and with increasing shareholder value. Each performance right is a right to acquire one ordinary share when the performance and service conditions are met. All KMP's participated in the plan.

For the year ended 30 June 2017, short term performance based bonuses were awarded to the key management personnel. These were primarily awarded for meeting and exceeding profit targets. Performance rights were also issued to the key management personnel under the long term incentive plan with vesting subject to performance and service conditions being met. No performance rights vested during the period.

### Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The following table shows the gross revenue, profit, share price and dividends for the prior four years for the listed entity.

	2013	2014	2015	2016	2017
<b>Revenue</b>	\$24.9m	\$25.9m	\$28.3m	\$31.1m	\$34.8m
<b>Profit/(loss) after Tax</b>	\$2.5m	\$2.0m	\$2.1m	\$0.3m	\$3.4m
<b>Profit/(loss) before Tax</b>	\$2.5m	\$2.1m	\$1.6m	\$0.3m	\$3.6m
<b>Share Price at year-end</b>	\$0.30	\$0.21	\$0.20	\$0.165	\$0.520
<b>Dividends Paid (per share)</b>	\$0.005	\$0.0125	\$0.010	Nil	Nil



## Directors' Report

### Executive Share Plan

The Executive Share Plan ("ESP") was approved at the 31 October 2014 Annual General Meeting for the three year period to 30 October 2017. Under the ESP, and following approvals obtained at the 27 October 2016 Annual General Meeting, shares may be issued to Executives and Directors in lieu of part or all of their annual remuneration including bonuses. The issue price is determined as the lesser of the volume weighted average of ITL prices during the 12 month period preceding the issue date and the current market price. The Board has discretion on whether to invite participation, from time to time, in the plan and in accordance with the rules of the plan. A KMP can elect to participate or otherwise. Restrictions, and any other conditions if they apply, may be imposed at the Board's discretion. The ESP is a plan to enable employees to purchase shares under the plan rules so is not contingent on performance conditions.

There were 510,968 shares issued to one of the key management personnel during the year ended 30 June 2017 as part payment of 2016/17 director fees. These shares were issued on 23 August 2016 at the closing price on 22 August 2016 of \$0.155 cents per share and under the terms and conditions of the ESP.

Total expenses arising from share based payments recognised during the period as part of Salaries and Employee Benefits Expense were as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Shares issued under ESP</b>	81,300	-
<b>Performance rights granted</b>	306,781	-
	<hr/>	<hr/>
	388,081	-

## Directors' Report

### Key Management Personnel Remuneration

The remuneration for each director and the key management personnel of the consolidated and parent entities considered key to the operations during the year are listed in the table below:

2017	Short Term Benefits			Post Employment	Long Term Benefits	Share Based Payments		Total	Perf. Related
	Cash Salaries & fees	Cash Bonus	Non Monetary Benefits	Superannuation	Long Service Leave	2016/17 Salary & Fees	LTI Performance Rights (a)		%
<b>Non-Executive Directors</b>									
A Turnbull	84,000	-	-	-	-	-	30,716	114,716	26.8
M Peatey	12,000	-	-	-	-	72,000	30,716	114,716	26.8
<b>Total</b>	<b>96,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,000</b>	<b>61,432</b>	<b>229,432</b>	<b>26.8</b>
<b>Executive Director</b>									
W Mobbs	138,898	-	-	646	38	-	-	139,582	-
<b>Total</b>	<b>138,898</b>	<b>-</b>	<b>-</b>	<b>646</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>139,582</b>	<b>-</b>
<b>Other KMP</b>									
W Mobbs	309,020	100,000	-	1,437	83	-	170,643	581,183	46.6
S Norrell #	322,025	126,045	12,737	9,484	-	-	15,963	486,254	29.2
N Kanda	235,604	95,000	-	22,382	4,898	-	15,963	373,847	29.7
C Wilson	257,392	95,000	-	-	-	-	15,963	368,355	30.1
N Cerneaz	200,913	40,000	-	19,087	635	-	14,047	274,682	19.7
T Doolan	182,648	70,000	-	17,352	5,120	-	12,770	287,890	28.8
<b>Total Other KMP</b>	<b>1,507,602</b>	<b>526,045</b>	<b>12,737</b>	<b>69,742</b>	<b>10,736</b>	<b>-</b>	<b>245,349</b>	<b>2,372,211</b>	<b>34.0</b>
<b>Total</b>	<b>1,742,500</b>	<b>526,045</b>	<b>12,737</b>	<b>70,388</b>	<b>10,774</b>	<b>72,000</b>	<b>306,781</b>	<b>2,741,225</b>	<b>30.4</b>

(a) LTI Performance Rights represents accrued expenses amortised over the vesting period of the grant, with no rights vesting at 30 June 2017- see Note 30

# This is the Australian dollar equivalent of payments in foreign currencies based on the average exchange rate for the year.

W Mobbs' remuneration is split between his duties of Chairman of the Board and Chief Executive Officer as defined in his contract of employment.

The Executive Share Plan ("ESP") was approved at the 31 October 2014 Annual General Meeting for the three year period to 30 October 2017. Under the ESP, and following approvals obtained at the 31 October 2014 Annual General Meeting, shares may be issued to Executives and Directors in lieu of part or all of their annual remuneration including bonuses. The issue price is determined as the lesser of the volume weighted average of ITL prices during the 12 month period preceding the issue date and the current market price. Details of the Salaries & Fees where the relevant KMP has elected to receive share based payments rather than cash are as follows:

	\$ Cash Foregone	Shares Issued	\$ Fair Value
<b>Salaries &amp; Fees</b>			
M Peatey	72,000	464,516	72,000
<b>Total Salaries &amp; Fees</b>	<b>72,000</b>	<b>464,516</b>	<b>72,000</b>

## Directors' Report

2016	Short Term Benefits		Post Employment	Long Term Benefits	Total	Perf. Related
\$	Cash Salaries & fees	Non Monetary Benefits	Superannuation	Long Service Leave		%
<b>Non-Executive Directors</b>						
A Turnbull	72,000	-	-	-	72,000	-
M Peatey	72,000	-	-	-	72,000	-
<b>Total</b>	<b>144,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>144,000</b>	<b>-</b>
<b>Executive Director</b>						
W Mobbs	125,000	-	-	-	125,000	-
<b>Total</b>	<b>125,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>125,000</b>	<b>-</b>
<b>Other KMP</b>						
W Mobbs	278,100	-	-	-	278,100	-
D Holden	173,968	-	-	-	173,968	-
S Norrell #	320,963	13,190	9,629	-	343,782	-
N Kanda	230,984	-	21,943	5,106	258,033	-
C Wilson	252,350	-	-	-	252,350	-
N Cerneaz (a)	112,615	-	10,698	342	123,655	-
T Doolan	150,847	-	14,330	6,362	171,539	-
<b>Total Other KMP</b>	<b>1,519,827</b>	<b>13,190</b>	<b>56,600</b>	<b>11,810</b>	<b>1,601,427</b>	<b>-</b>
<b>Total</b>	<b>1,788,827</b>	<b>13,190</b>	<b>56,600</b>	<b>11,810</b>	<b>1,870,427</b>	<b>-</b>

- (a) Remuneration for N Cerneaz is for the 7 months from 1 December 2015 i.e. the acquisition date of MyHealthTest Pty Ltd. Mr Cerneaz also received shares as settlement of a deferred bonus that had been accrued at 30/11/2015 and which formed part of the opening balances on acquisition of MyHealthTest Pty Ltd and included as part of Trade and other payables.

# This is the Australian dollar equivalent of payments in foreign currencies based on the average exchange rate for the year.

W Mobbs' remuneration is split between his roles of Executive Chairman and Chief Executive Officer

## Directors' Report

### Shareholdings of key management personnel

	Balance 1/7/2016	Received as Compensation	Net Change other*	Balance 30/6/2017
<b>Directors</b>				
William Mobbs	39,734,286	-	(4,615,384)	35,118,902
Andrew Turnbull	2,991,752	-	-	2,991,752
Mark Peatey	-	510,968	769,231	1,280,199
<b>Executives</b>				
Narinder Kanda	699,444	-	130,522	829,966
Craig Wilson	1,864,552	-	(70,000)	1,794,552
Stephanie Norrell	2,339,760	-	-	2,339,760
Nick Cerneaz	1,034,775	-	-	1,034,775
Trevor Doolan	57,511	-	-	57,511
<b>Total</b>	<b>48,722,080</b>	<b>510,968</b>	<b>(3,785,631)</b>	<b>45,447,417</b>

\* Net change other refers to shares purchased or sold during the financial year.

### Other transactions with KMP and their related parties

		Sales \$'000	Amounts owed from \$'000	Purchases \$'000	Amounts owed to \$'000
Transactions - other directors' interests	2017	-	-	-	-
	2016	6	-	27	27

### Long Term Incentive Plan

Performance Rights awarded, vested and lapsed during the year (the "Jan 2017 LTI Offer") under the long term incentive plan is disclosed in the tables below.

Performance rights do not carry any voting or dividend rights, and can only be exercised once the vesting conditions have been met subject to expiry conditions. The exercise price of the rights is nil. Exercise of the performance rights granted during the year are subject to performance conditions, and a continued employment service condition, as follows:

Performance Level*	% of award vesting
<10%	0% vesting
15%≥	100%
10% to <15%	50 to 100% pro rata

\* Compound Annual Growth Rate in share price from commencement share price measured against 90 day Volume Weighted Average Price up to vesting date.

## Directors' Report

	Balance at 1 July 2016	Rights granted during the year	Rights vested during the year	\$ Value of rights at grant date	Rights lapsed during the year	Balance at 30 June 2017	Fair Value per Right
William Mobbs*	-	644,968	-	200,000	-	677,968	\$0.1620
William Mobbs+	-	644,968	-	200,000	-	677,968	\$0.1775
William Mobbs-	-	644,968	-	200,000	-	677,968	\$0.1868
Andrew Turnbull*	-	122,033	-	36,000	-	122,033	\$0.1620
Andrew Turnbull+	-	122,033	-	36,000	-	122,033	\$0.1775
Andrew Turnbull-	-	122,033	-	36,000	-	122,033	\$0.1868
Mark Peatey*	-	122,033	-	36,000	-	122,033	\$0.1620
Mark Peatey+	-	122,033	-	36,000	-	122,033	\$0.1775
Mark Peatey-	-	122,033	-	36,000	-	122,033	\$0.1868
Narinder Kanda#	-	407,387	-	120,179	-	407,387	\$0.2275
Craig Wilson#	-	407,387	-	120,179	-	407,387	\$0.2275
Stephanie Norrell#	-	407,387	-	120,179	-	407,387	\$0.2275
Nick Cerneaz#	-	358,501	-	105,758	-	358,501	\$0.2275
Trevor Doolan#	-	325,910	-	96,143	-	325,910	\$0.2275

\* these rights may vest differently on 1/7/2017 subject to the performance conditions being met at the time.

+ these rights may vest differently on 1/7/2018 subject to the performance conditions being met at the time.

- these rights may vest differently on 1/7/2019 subject to the performance conditions being met at the time.

# vesting date of these rights is 1/9/2019.

### Engagement Details of Directors and Senior Executives

Remuneration arrangements for some KMP are formalized in engagement agreements. Details of these agreements are provided below.

William Mobbs, Executive Chairman of ITL Limited, is engaged under an ongoing contract entered into 1 June 2017. The remuneration package totals \$450,000 plus short term and long term incentives based on performance. Either party may terminate the contract by twelve months' notice.

Craig Wilson, General Manager of ITL BioMedical is engaged under a Consultancy Agreement effective 1 July 2012 with his company Cocama Trading Pty Ltd. The total consultancy fee is \$284,299 p.a., plus incentive based on performance. The consultancy fee included a remuneration to Craig Wilson of \$252,350 p.a. and general office expenses of \$31,949. Either party may terminate the contract by six months' notice.

Narinder Kanda, General Manager Healthcare Australia, is employed under an ongoing contract effective 1 July 2011. Total fixed remuneration package is \$252,350 p.a. plus incentives based on performance. The notice period is three months or in the case of a takeover six months.

Nick Cerneaz, General Manager My HealthTest Pty Ltd is employed under an ongoing contract effective 1 December 2015. The remuneration package totals \$220,000 and an annual bonus based on performance. Either part may terminate the contract by 3 months' notice.

Stephanie Norrell, Vice President Sales & Marketing North America, is employed under an ongoing contract effective 28 October 2011. The remuneration package totals US\$252,350 and an annual bonus based on performance. Either party may terminate the contract by six months' notice.

Trevor Doolan, Chief Financial Officer and Company Secretary, is employed under an ongoing employment agreement effective 8 November 2010. Total fixed remuneration package is \$230,000 p.a. plus incentives based on performance. The notice period is three months.

End of remuneration report.

## Directors' Report

### Indemnifying Directors and Officers

The company has entered into Deeds of Access and Indemnity with all Directors and Officers. The Group indemnifies each Director, maintains an insurance policy in favour of Directors and grants access to the records of the company.

The company has not given or issued any new indemnities during the year or since the end of the financial year.

The company has paid premiums to insure all of the Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the company or its subsidiaries, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was \$58,890 for all Directors and Officers.

### Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

### Proceedings on Behalf of Company

No person has applied for leave to bring proceedings in Court on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

### Non-Audit Services

The board of directors, in accordance with advice from the Audit and Risk Management Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that any services did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Non-audit services provided by Ernst Young Australia and its related entities during the year ended 30 June 2017 were nil.

### Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 for the year ended 30 June 2017 has been received and is reproduced immediately following the Directors' Report.

## Directors' Report

### **Rounding of Amounts**

The amounts contained in the accompanying half year financial information have been rounded to the nearest \$1,000 (where applicable) under the option available to the company under ASIC Corporations Instrument 2016/191. The company is an entity to which the Legislative Instrument applies.

This report is signed in accordance with a resolution of the Board of Directors.



William Mobbs  
Executive Chairman  
Dated this 21st day of August 2017

## Auditor's Independence Declaration



Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000 Australia  
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000  
Fax: +61 3 8650 7777  
ey.com/au

### Auditor's Independence Declaration to the Directors of ITL Limited

As lead auditor for the audit of ITL Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

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

Ernst & Young

Ashley Butter  
Partner  
21 August 2017



## Consolidated Statement of Profit or Loss

for the year ended 30 June

	Note	2017 \$000's	2016 \$000's
Revenue	2	34,774	31,083
Cost of Sales		(18,922)	(19,883)
Gross Profit		15,852	11,200
Other income	2	216	387
Employee benefits expense		(8,268)	(6,920)
Depreciation and amortisation expense	3	(332)	(280)
Finance costs	3	(371)	(386)
Occupancy expenses		(1,128)	(1,155)
R&D expenses – 3 <sup>rd</sup> party		(243)	(354)
Travel and accommodation		(464)	(431)
Audit, legal & insurance		(695)	(792)
Other expenses from ordinary activities		(1,014)	(940)
Total Expenses		(12,515)	(11,258)
Profit before income tax expense		3,553	329
Income tax (expense)/benefit	4	(124)	15
<b>Profit for the Year</b>		<b>3,429</b>	<b>344</b>
Profit attributable to members of the parent		3,429	344
<b>Earnings per Share</b>	7		
Basic profit per share (cents per share)		3.58 cents	0.38 cents
Diluted profit per share (cents per share)		3.50 cents	0.38 cents

The accompanying notes form part of these financial statements

## Consolidated Statement of Comprehensive Income

for the year ended 30 June

	Note	2017 \$000's	2016 \$000's
<b>Profit</b>		<b>3,429</b>	<b>344</b>
<b>Other Comprehensive Income</b>			
<b>Items that may be reclassified subsequently to Profit or Loss</b>			
Exchange differences on translating foreign operations		(482)	(141)
Income tax effect		-	-
<b>Other comprehensive income for the period, net of tax</b>		<b>(482)</b>	<b>(141)</b>
<b>Total comprehensive income attributable to members of the parent</b>		<b>2,947</b>	<b>203</b>

The accompanying notes form part of these financial statements

## Consolidated Balance Sheet

as at 30 June

	Note	2017 \$000's	2016 \$000's
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	2,690	611
Trade and other receivables	9	4,821	5,044
Inventories	10	6,186	6,682
Other current assets	11	555	696
<b>TOTAL CURRENT ASSETS</b>		<b>14,252</b>	<b>13,033</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	6,095	6,139
Product tooling	13	826	700
Intangible assets	14	4,698	3,624
Deferred tax assets	18	1,868	1,987
<b>TOTAL NON-CURRENT ASSETS</b>		<b>13,487</b>	<b>12,450</b>
<b>TOTAL ASSETS</b>		<b>27,739</b>	<b>25,483</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	3,538	3,691
Borrowings	17	2,727	2,560
Current tax liabilities	18	-	-
Short-term provisions	19	848	889
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,113</b>	<b>7,140</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	17	2,557	3,576
Long-term provisions	19	461	501
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,018</b>	<b>4,077</b>
<b>TOTAL LIABILITIES</b>		<b>10,131</b>	<b>11,217</b>
<b>NET ASSETS</b>		<b>17,608</b>	<b>14,266</b>
<b>EQUITY</b>			
Issued capital	20	31,957	31,869
Foreign currency translation reserve	21	(1,571)	(1,089)
Accumulated losses		(13,085)	(16,514)
Share Based Payment Reserve	21	307	-
<b>TOTAL EQUITY</b>		<b>17,608</b>	<b>14,266</b>

The accompanying notes form part of these financial statements

## Consolidated Statement of Changes in Equity

for the year ended 30 June

Note	Issued Capital \$000's	Foreign Currency Translation Reserve \$000's	Share Based Payment Reserve \$000's	Accum. Losses \$000's	Total \$000's
<b>Balance at 1 July 2016</b>	<b>31,869</b>	<b>(1,089)</b>	<b>-</b>	<b>(16,514)</b>	<b>14,266</b>
Profit for the period	-	-	-	3,429	3,429
Other comprehensive income	-	(482)	-	-	(482)
Total comprehensive income for the year	-	(482)	-	3,429	2,947
Transactions with owners in their capacity as owners:					
Share based payments	88	-	307	-	395
<b>Balance at 30 June 2017</b>	<b>31,957</b>	<b>(1,571)</b>	<b>307</b>	<b>(13,085)</b>	<b>17,608</b>
<b>Balance at 1 July 2015</b>	<b>29,474</b>	<b>(948)</b>	<b>-</b>	<b>(16,647)</b>	<b>11,879</b>
Profit for the period	-	-	-	344	344
Other comprehensive income	-	(141)	-	-	(141)
Total comprehensive income for the year	-	(141)	-	344	203
Transactions with owners in their capacity as owners:					
Dividend Payment	-	-	-	(211)	(211)
Shares issued (acquisition of MHT)	2,300	-	-	-	2,300
Share buyback	(48)	-	-	-	(48)
Transaction Costs	-	-	-	-	-
Share based payments	143	-	-	-	143
<b>Balance at 30 June 2016</b>	<b>31,869</b>	<b>(1,089)</b>	<b>-</b>	<b>(16,514)</b>	<b>14,266</b>

The accompanying notes form part of these financial statements

## Consolidated Statement of Cash Flows

for the year ended 30 June

	Note	2017 \$000's	2016 \$000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		3,553	329
Non-cash items:			
Depreciation & amortisation	3	862	935
Net (gain)/loss on disposal of assets		3	12
Unrealised loss/(gain) on foreign currency transactions		90	31
Share based payments	30	388	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:			
Decrease/(Increase) in trade and other receivables		217	(341)
Decrease in other current assets		106	302
Decrease/(Increase) in Inventories		265	(1,085)
(Decrease)/Increase in trade and other payables		(53)	142
(Decrease)/Increase in provisions		(79)	94
Income Tax Refund /(Paid)		(2)	38
Net cash flow from operating activities		5,350	457
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for product tooling	13	(291)	(210)
Payment for property, plant and equipment	12	(939)	(257)
Payment for intangible assets	14	(1,243)	(556)
Acquisition of a subsidiary, net of cash acquired		-	(264)
Proceeds from the sale of property, plant and equipment		10	-
Net cash flow (used in) investing activities		(2,463)	(1,287)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		2,224	2,385
Repayments of Borrowings		(2,727)	(2,166)
Payment for dividends	6	-	(211)
Payment for Share buyback	20	-	(48)
Net cash flow from financing activities		(503)	(40)
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		2,384	(870)
Net foreign exchange differences		(53)	(10)
Cash at beginning of period	8	223	1,103
<b>CASH AT END OF PERIOD</b>	8	2,554	223

The accompanying notes form part of these financial statements

## Notes to the consolidated financial statements

These financial statements cover the consolidated entity consisting of ITL Limited and its subsidiaries ("Consolidated Group" or "Group"). ITL Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange. The financial statements are presented in Australian currency.

### **Note 1: Statement of Significant Accounting Policies**

#### **Statement of Compliance**

In accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, the financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### **Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*, and prepared for the purpose of presenting the consolidated entity as a for-profit entity.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets.

Material accounting policies adopted in the preparation of these financial statements are presented below. These have been consistently applied unless otherwise stated.

#### **(a) Principles of Consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All inter-group balances and transactions between entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (a) Principles of Consolidation (continued)

##### Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

#### (b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (b) Income Tax (continued)

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax rates and tax laws are based on applicable jurisdictions.

#### Tax Consolidation

ITL Limited and its wholly-owned Australian subsidiaries have formed an income tax Consolidated Group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

The Group has previously notified the Australian Taxation Office that it had formed an income tax Consolidated Group. The tax Consolidated Group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

#### (c) Segment Reporting

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is specifically focussed on the operating businesses. These are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services to different markets. The Group's reportable segments under AASB 8 *Operating Segments* are therefore as follows:



## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (c) Segment Reporting (continued)

##### **ITL BioMedical (“BioMed”)**

BioMed designs, manufactures, markets and distributes a range of biological safety sampling devices and hospital single use devices for the global human healthcare market.

BioMed capabilities and expertise include development and commercialisation of new patented products from initial concept through to sales. The division is located across three continents to leverage the unique geographical advantages of each area:

- Management and new product development is based in Australia;
- Manufacturing and tool making is based in Malaysia. Our manufacturing facility is TUV accredited, Quality Management System is ISO 13485: 2003 certified and, the Environmental Management System is ISO 14001: 2004 certified. Products include FDA 510K and/or CE mark as necessary; and
- Sales and marketing is based in North America where our largest customers and markets are located.

BioMed distributes predominantly its own proprietary range of products and has an extensive intellectual property portfolio including a pipeline of new patents, trademarks and designs. Its customer base includes some of the largest multinational healthcare suppliers in the world.

BioMed is focused on providing year on year profit growth and leveraging its extensive and proven product commercialization resources to expand its product range and penetration in the global market.

##### **Healthcare Australia (“HCA”)**

HCA is an Australian healthcare company that provides medical and surgical solutions to suit the individual needs of both public and private hospitals throughout Australia. Its goal is to provide quality innovative products that make healthcare professional’s jobs easier whilst still providing best practice efficiencies and cost effectiveness.

HCA has three core product areas: Customised Procedure Packs, Catheter Laboratory kits and Invasive Pressure Monitoring kits which consist of products that have been created in consultation with Australian healthcare practitioners for the Australian market.

HCA’s unique point of difference is a state of the art ethylene oxide steriliser and class 8 clean room assembly facility which enables HCA to pursue other potential areas for strong growth including OEM manufacturing of kits.

##### **MyHealthTest Pty Ltd (MHT)**

MHT, a new segment following acquisition on 1 December 2015, is a Canberra based medical biotech company which provides direct to consumer pathology testing. Its mission is to help people monitor and manage their own health and wellbeing in a convenient manner. This is achieved through diagnosing and managing major chronic diseases. The initial launch related to the HbA1c test for diabetes which is the fastest growing chronic disease in most countries in the world including Australia.

## Notes to the consolidated financial statements

### **Note 1: Statement of Significant Accounting Policies (continued)**

#### **Corporate and other**

The corporate and other costs consist of the Board of Directors and head office costs but are not classified as a reportable segment under AASB 8.

Transfer prices between business segments are set on an arms' length basis in a manner similar to transactions with third parties. Segment revenue, expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

Information regarding the Group's reportable segments is presented in note 29.

#### **(d) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

#### **(e) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

##### **Land and Buildings**

Land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity, all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

##### **Plant and equipment (including product tooling)**

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount for these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Consolidated Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with that item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

##### **Depreciation**

The depreciable amount of all fixed assets including building and capitalised lease assets, is depreciated on a straight line basis over their useful lives to the Consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (e) Property, Plant and Equipment (continued)

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold land (Malaysia only)	2.3%
Buildings	2.5%
Furniture & fittings	5-33.3%
Leasehold improvements	10%
Building Improvements	2.5%
Computer & office equipment	5-33.3%
Computer software	20-33.3%
Product development	5-10%
Product tooling	5-25%
Plant and equipment	5-20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

#### (f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Consolidated Group, are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Operating lease payments are recognised as an operating expense in the profit or loss on a straight line basis over the lease term.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (g) Financial Instruments

##### Initial recognition and measurement

Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset. Financial instruments include cash, receivables, payables and loans.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit and loss, in which case transaction costs are expensed to profit or loss immediately.

##### Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- a. The amount at which the financial asset or financial liability is measured at initial recognition;
- b. Less principal repayments;
- c. Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- d. Less any reduction for impairment.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the profit or loss.

##### Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

##### Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

##### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (g) Financial Instruments (continued)

##### **Borrowings**

Borrowings are initially recognised at fair value and net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

#### (h) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### (i) Intangible Assets

##### **Goodwill on acquisition**

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

##### **Patents, Trademarks and Licenses**

Patents and Trademark, including identifiable intellectual property acquired through business combinations, are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. They are amortised over the lesser of the period in which their benefits are expected to be realised or the residual life of the patent or trademark between 5 to 20 years.

##### **Research and Development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Product development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Amortisation of the asset commences when the asset is available for use over the period of expected future value.

Product development has a finite life and is amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (i) Intangible Assets (continued)

##### Business Development Software

Business development software is measured on the cost basis. The carrying amount of business development software is reviewed annually by directors to ensure it is not in excess of the recoverable amount for these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

#### (j) Foreign Currency Transactions and Balances

The following foreign exchange rates have been used in the preparation of the consolidated financial statements:

	30-Jun-17	30-Jun-16
Spot rate		
AUD/MYR	3.2979	2.9905
AUD/USD	0.7686	0.7426
Average rate for the year ended 30 June		
AUD/MYR	3.2266	3.0000
AUD/USD	0.7537	0.7278

##### Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency, whilst the Malaysia entity is measured in Malaysian Ringgits and the U.S.A. entity in US dollars.

##### Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when the values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

#### (k) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

#### Equity-settled compensation

The Group operates an equity-settled share-based payment employee share scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest except for those relating to market vesting conditions. Performance rights have also been granted during the period and have been valued using Monte Carlo valuation methodology. The number of rights expected to vest is to be reviewed and updated at the end of each accounting period.

#### (l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### (m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

#### (n) Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. Estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement are used when determining whether revenue can be reliably measured.



## Notes to the consolidated financial statements

### **Note 1: Statement of Significant Accounting Policies (continued)**

#### **(n) Revenue (continued)**

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

#### **(o) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### **(p) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are included in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

#### **(q) Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

#### **(r) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### **(s) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

#### **(t) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.



## Notes to the consolidated financial statements

### **Note 1: Statement of Significant Accounting Policies (continued)**

#### **(u) Earnings Per Share**

##### *(i) Basic earnings per share*

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

##### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and;
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### **(v) Critical Accounting Estimates and Judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

##### *(i) Significant accounting judgements*

###### *Recovery of deferred tax assets*

A deferred tax asset has been recognised for deductible temporary differences and carried forward tax losses related to qualifying R&D expenditure. Management considers that it is probable that future taxable profits will be available to utilise these temporary differences and carried forward tax losses. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

###### *Inventory valuation*

Inventories are measured at the lower of cost and net realisable value. In the situation where excess or obsolete inventory is identified, estimates for the net realizable values are made. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (v) Critical Accounting Estimates and Judgements (continued)

##### (ii) Significant accounting estimates and assumptions

##### *Impairment of goodwill and intangibles with indefinite useful lives*

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least at each reporting date. This requires an estimation of the recoverable amount of the cash-generating units, using a value-in-use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated.

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

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. Impairment exists when the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less disposal costs and its value in use. Where an impairment trigger exists, the recoverable amount of the asset is determined.

#### (w) Fair value measurement

The Group measures financial instruments and certain non-financial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 28.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (x) New and Revised Accounting Standards

The Consolidated Group has adopted the following new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current annual reporting period. There is no impact on the Group's financial statements.

AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation clarifies that revenue based methods are generally not appropriate.

AASB 2015-1 Amendments to Australian Accounting Standards- Annual Improvements to Australian Accounting Standards 2012-2014 Cycle includes changes to AASB 5, AASB 7, AASB 119 and AASB 134.

AASB 2015-2 Amendments to Australian Accounting Standards- Disclosure Initiative: Amendments to AASB 101 amends the presentation of financial statements.

AASB 2016-2 Amendments to Australian Accounting Standards- Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows amends disclosure requirements in relation to changes in liabilities arising from financing activities.

#### ***New standards and interpretations not yet adopted:***

The following standards, which will become mandatory for the Consolidated Group's 30 June 2018 or subsequent Financial Statements, have not been fully evaluated in terms of their impact on the financial statements:

AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets, expected-loss impairment recognition on expected credit losses and reformed approach to hedge accounting. It will become mandatory for the Consolidated Group's 30 June 2019 Financial Statements. The Consolidated Group has not yet determined the potential effect of the standard.

AASB 15 Revenue from Contracts with Customers provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures regarding revenue are also introduced. It will become mandatory for the Consolidated Group's 30 June 2019 Financial Statements. The group has undertaken an impact assessment on current operating contracts and is still assessing whether there is any likely material impact..

AASB 16 Leases requires Lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. Assets and liabilities arising from the lease are initially measured on a present value basis. AASB 16 also contains disclosure requirements. The new standard is effective from 1 January 2019 and the Consolidated Group has not yet fully determined the potential effect of the standard and is still assessing the possible impact.

AASB 2016-5 (Amendments) Classification and Measurement of Share-based Payment Transactions clarifies how to account for certain types on share-based payment transactions. The amendment is not effective until 1 July 2018 and the Consolidated Group has not yet determined the potential effect of the standard.

AASB (Interpretation) 22 Foreign Currency Transactions and Advance Consideration clarifies that the date of the transaction to use for spot exchange rate is the date on which an entity initially recognises the non- monetary asset or non-monetary liability arising from the advance consideration. The interpretation is not effective until 1 January 2018 and the Consolidated Group has not yet determined the potential effect of the standard.

IFRIC 23 Uncertainty over Income Tax Treatments clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation is not effective until 1 January 2019 and the Consolidated Group has not yet determined the potential effect of the standard.

## Notes to the consolidated financial statements

	2017 \$000's	2016 \$000's
<b>Note 2: Revenue and Other Income</b>		
<b>Revenue</b>		
ITL BioMedical	17,560	13,910
Healthcare Australia	21,073	19,872
MyHealthTest	11	5
Inter Segment	(3,870)	(2,704)
Total Sales Revenue	34,774	31,083
<b>Other Income</b>		
Interest income	-	23
Grant Income	51	287
Other	165	77
Total Other Income	216	387
<b>Total Income</b>	<b>34,990</b>	<b>31,470</b>
<b>Note 3: Expenses</b>		
Depreciation of non-current assets:		
Property, plant and equipment	598	721
Product tooling	99	86
Total depreciation	697	807
Amortisation of intangible assets	165	128
Total Depreciation and Amortisation	862	935
Less: Depreciation and Amortisation included in Cost of Sales	(530)	(655)
<b>Depreciation and amortisation expense</b>	<b>332</b>	<b>280</b>
Gross eligible R&D expenditure	1,950	1,411
Less R&D capitalised	(1,069)	-
R&D eligible expense	881	1,411
Finance costs	371	386
Legal fees	118	312
Audit, accounting and taxation services	292	209
Share-based payments expense	388	-
Post-employment benefits expense:		
Total post-employment benefits expenses	716	636
Expensed to cost of goods sold	(249)	(221)
<b>Post-employment benefits expense</b>	<b>467</b>	<b>415</b>
Rental expense on operating leases:		
- minimum lease payments	578	564

## Notes to the consolidated financial statements

	2017 \$000's	2016 \$000's
<b>Note 4: Income Tax (Benefit)/Expense</b>		
a. The components of tax (benefit)/expense comprise:		
Current tax	969	374
Deferred tax	(761)	(384)
Over provision in respect of prior years	(84)	(5)
	<u>124</u>	<u>(15)</u>
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Profit/(Loss) before income tax	<u>3,553</u>	<u>329</u>
Prima facie tax payable/(benefit) on profit before income tax at 30% (2015: 30%)	1,066	99
<b>Add:</b>		
Tax effect of:		
- other non-allowable items	-	293
- share based payments	95	-
- non-deductible entertainment	3	1
	<u>1,164</u>	<u>393</u>
<b>Less:</b>		
Tax effect of:		
- foreign tax rate adjustment	63	57
- other non-allowable items	306	-
- Over provision for income tax in prior years	84	-
- Utilisation of previously unrecognised tax losses	<u>587</u>	<u>351</u>
Income tax (benefit)/expense	<u><b>124</b></u>	<u><b>(15)</b></u>
<i>The applicable weighted average effective tax rates are as follows:</i>	<i>3.5%</i>	<i>(4.6%)</i>

The Consolidated Group operates in a multi-jurisdictional tax environment which makes meaningful comparison of weighted average effective tax rates difficult.

	2017 \$000's	2016 \$000's
c. Unused tax losses for which no deferred tax asset has been recognised:	<u>-</u>	<u>57</u>
Potential tax benefit @ 30%	<u>-</u>	<u>17</u>
d. R&D eligible expenditure for which no deferred tax asset has been recognised:	<u>-</u>	<u>1,425</u>
Potential tax benefit @ 40%	<u>-</u>	<u>570</u>

## Notes to the consolidated financial statements

	2017 \$000's	2016 \$000's
<b>Note 5 Auditor's Remuneration:</b>		
Amounts received or due and receivable by Ernst & Young Australia for:		
An audit or review of the financial report of the entity and any other entity in the Consolidated Group	112	118
Other services in relation to the entity and any other entity in the Consolidated Group	-	9
Amounts received or due and receivable by related practices of Ernst & Young Australia for:		
An audit or review of the financial report of the entity and any other entity in the Consolidated Group	42	44
Other services in relation to the entity and any other entity in the Consolidated Group	-	-
	<u>154</u>	<u>171</u>

## Notes to the consolidated financial statements

	2017 \$000's	2016 \$000's
<b>Note 6: Dividends Paid and Proposed</b>		
Declared and paid during the year:		
Dividends on ordinary shares:		
Interim dividend for 2017: nil cents per share (2016: nil cents per share)	-	-
Final dividend for 2016: nil cents per share (2015: 0.25 cents per share partly franked)	-	211
<b>Dividends paid</b>	<b>-</b>	<b>211</b>
Declared after the year end:		
Final dividend for 2017: nil cents per share (2016: nil cents per share)	-	-
Balance of franking account at year end	-	-
Franking debits that will arise from the payments of dividends as at the end of the financial year	-	-
	-	-

### Note 7: Earnings Per Share

The following reflects the earnings per share data used in the calculation of basic and diluted earnings per share (EPS) computations.

EPS is calculated based on:

Profit for the year	3,429	344
	<b>000's</b>	<b>000's</b>
Weighted average number of ordinary shares used in the calculation of basic EPS	95,845	90,426
Weighted average number of options outstanding	2,126	-
Weighted average number of ordinary shares used in the calculation of dilutive EPS	97,971	90,426
<b>Basic earnings per share (cents)</b>	<b>3.58</b>	<b>0.38</b>
<b>Dilutive earnings per share (cents)</b>	<b>3.50</b>	<b>0.38</b>

	2017 \$000's	2016 \$000's
<b>Note 8: Cash and Cash Equivalents</b>		
Cash on hand	1	2
Cash at bank	2,689	609
<b>Total cash and cash equivalents</b>	<b>2,690</b>	<b>611</b>
Overdrafts	(136)	(388)
Cash and cash equivalents for cash flow statement	<b>2,554</b>	<b>223</b>

The effective interest rate on short-term bank deposits was 0.1% (2016: 0.1%); these deposits are at call.

## Notes to the consolidated financial statements

### Note 9: Trade and Other Receivables

	2017 \$000's	2016 \$000's
<b>Current</b>		
Trade receivables	4,586	4,708
Allowance for impairment loss	(9)	(30)
Other receivables	243	359
Accrued revenue	1	7
	<b>4,821</b>	<b>5,044</b>

### Provision for impairment of receivables

Current trade receivables are non-interest bearing and generally on 30 day terms. A provision for impairment is recognised when there is objective evidence that an individual receivable is impaired. Financial difficulties of the debtor, payment defaults or the commencement of debt recovery litigation have been considered to determine our impairment provision. These amounts have been included in the other expenses as an expense.

Movement in the provision for impairment of the receivable is as follows:

	2017 \$000's	2016 \$000's
Balance at 1 July	30	33
Amounts written off	(9)	(11)
Charge for the year	(12)	8
Balance at 30 June	<b>9</b>	<b>30</b>

It is expected that all amounts that are past due will be received in full where an impairment provision has not been made against the balance.

### Note 10: Inventories

	2017 \$000's	2016 \$000's
<b>Current</b>		
Raw materials and stores (at lower of cost and net realisable value)	3,092	3,472
Work in progress (at cost)	216	223
Finished goods (at lower of cost and net realisable value)	2,878	2,987
	<b>6,186</b>	<b>6,682</b>

During 2017 \$143k (2016: \$442k) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

### Note 11: Other Current Assets

Deposits to suppliers	58	269
Prepayments	497	427
	<b>555</b>	<b>696</b>



## Notes to the consolidated financial statements

### Note 12: Property, Plant and Equipment

	2017 \$000's	2016 \$000's
<b>Land and buildings</b>		
Land and buildings at fair value*	1,132	1,248
Less: accumulated depreciation	(97)	(76)
<b>Total land and buildings</b>	<b>1,035</b>	<b>1,172</b>
<b>Total land and buildings</b>	<b>1,035</b>	<b>1,172</b>
<b>Plant and equipment</b>		
Furniture & fittings at cost	428	429
Less : accumulated depreciation	(251)	(242)
<b>Total furniture &amp; fittings</b>	<b>177</b>	<b>187</b>
Computer & office equipment at cost	1,008	938
Less : accumulated depreciation	(708)	(646)
<b>Total computer &amp; office equipment</b>	<b>300</b>	<b>292</b>
Plant & Equipment at Cost	7,189	6,798
Less : accumulated depreciation	(4,003)	(3,910)
<b>Total Plant &amp; Equipment at Cost</b>	<b>3,186</b>	<b>2,888</b>
Leasehold improvements at cost	3,580	3,690
Less : accumulated depreciation	(2,183)	(2,090)
<b>Total leasehold improvements</b>	<b>1,397</b>	<b>1,600</b>
<b>Total plant and equipment</b>	<b>5,060</b>	<b>4,967</b>
<b>Total property, plant and equipment</b>	<b>6,095</b>	<b>6,139</b>

\*Land and buildings were acquired in the 2014 financial year and expansion and renovations completed in the 2015 financial year. Management have undertaken an internal valuation as at 30 June 2017 and have determined that the fair value has not materially changed since the property was acquired and renovated. The next external valuation is scheduled for 2017-18.

## Notes to the consolidated financial statements

### Note 12: Property, Plant and Equipment (continued)

#### Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land and Buildings \$000's	Furniture and fittings \$000's	Computer and office equipment \$000's	Plant and Equipment \$000's	Leasehold improve- ments \$000's	Construct. in Progress \$000's	Total \$000's
<b>Cost or Valuation</b>							
<b>At 30 June 2015</b>	1,292	399	882	6,416	3,677	-	12,666
Additions	-	18	67	138	34	-	257
Acquisition of subsidiary	-	20	23	361	33	-	437
Exchange Differences	(44)	(6)	(9)	(112)	(54)	-	(225)
Disposals	-	(2)	(25)	(5)	-	-	(32)
<b>At 30 June 2016</b>	1,248	429	938	6,798	3,690	-	13,103
Additions	-	24	102	774	39	-	939
Exchange Differences	(116)	(24)	(31)	(312)	(149)	-	(632)
Disposals	-	(1)	(1)	(71)	-	-	(73)
<b>At 30 June 2017</b>	1,132	428	1,008	7,189	3,580	-	13,337
<b>Accumulated Amortisation</b>							
<b>At 30 June 2015</b>	48	223	601	3,636	1,787	-	6,295
Depreciation	30	21	66	334	270	-	721
Acquisition of subsidiary	-	1	2	21	33	-	57
Exchange Differences	(2)	(1)	(2)	(77)	-	-	(82)
Disposals	-	(2)	(21)	(4)	-	-	(27)
<b>At 30 June 2016</b>	76	242	646	3,910	2,090	-	6,964
Depreciation	28	19	74	377	100	-	598
Exchange Differences	(7)	(9)	(11)	(230)	(7)	-	(264)
Disposals	-	(1)	(1)	(54)	-	-	(56)
<b>At 30 June 2017</b>	97	251	708	4,003	2,183	-	7,242
<b>Net Book Value</b>							
30 June 2016	1,172	187	292	2,888	1,600	-	6,139
30 June 2017	1,035	177	300	3,186	1,397	-	6,095

## Notes to the consolidated financial statements

	2017 \$000's	2016 \$000's
<b>Note 13: Product Tooling</b>		
Product tooling:		
At cost	1,514	1,343
Less : accumulated depreciation	(688)	(643)
Total product tooling	<b>826</b>	<b>700</b>

### Movements in carrying amounts

Movement in the carrying amounts for product tooling between the beginning and the end of the current financial year:

<b>Cost</b>	<b>\$000's</b>
<b>At 30 June 2015</b>	<b>1,176</b>
Additions	210
Exchange Differences	(36)
Disposals	(7)
<b>At 30 June 2016</b>	<b>1,343</b>
Additions	291
Exchange Differences	(114)
Disposals	(6)
<b>At 30 June 2017</b>	<b>1,514</b>
<b>Accumulated Amortisation</b>	
<b>At 30 June 2015</b>	<b>576</b>
Amortisation	86
Exchange Differences	(16)
Disposals	(3)
<b>At 30 June 2016</b>	<b>643</b>
Amortisation	99
Exchange Differences	(52)
Disposals	(2)
<b>At 30 June 2017</b>	<b>688</b>
<b>Net Book Value</b>	
30 June 2016	700
30 June 2017	826

## Notes to the consolidated financial statements

	2017 \$000's	2016 \$000's
<b>Note 14: Intangible Assets</b>		
Business development software at cost	2,142	1,733
Less: accumulated amortisation	(1,195)	(1,096)
	<b>947</b>	<b>637</b>
Patents, trademarks and licenses at cost	1,934	1,787
Less: accumulated amortisation	(1,429)	(1,375)
	<b>505</b>	<b>412</b>
Product development at cost	764	764
Less: accumulated amortisation	(764)	(764)
	<b>-</b>	<b>-</b>
Development costs at cost	671	-
Less: accumulated amortisation	-	-
	<b>671</b>	<b>-</b>
Goodwill on acquisition of subsidiary at fair value	2,575	2,575
	<b>4,698</b>	<b>3,624</b>

Intangible assets, other than goodwill, have a finite life. Patents, trademarks and licenses include identifiable intellectual property acquired through business combinations. The current charges for intangible assets are included under depreciation and amortisation expense in the statement of comprehensive income.

## Notes to the consolidated financial statements

### Note 14: Intangible Assets (continued)

#### Movements in carrying amounts

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial year:

	Product Development \$000's	Business Development software \$000's	Patents, trademarks and licenses \$000's	Development costs \$000's	Goodwill on acquisition \$000's	Total \$000's
<b>Cost or Valuation</b>						
<b>At 30 June 2015</b>	<b>764</b>	<b>1,217</b>	<b>1,594</b>	-	-	<b>3,575</b>
Additions	-	472	84	-	-	556
Acquisition of subsidiary	-	50	113	-	2,575	2,738
Exchange Differences	-	(4)	-	-	-	(4)
Disposals	-	(2)	(4)	-	-	(6)
<b>At 30 June 2016</b>	<b>764</b>	<b>1,733</b>	<b>1,787</b>	-	<b>2,575</b>	<b>6,859</b>
Additions	-	422	150	671	-	1,243
Exchange Differences	-	(13)	-	-	-	(13)
Disposals	-	-	(3)	-	-	(3)
<b>At 30 June 2017</b>	<b>764</b>	<b>2,142</b>	<b>1,934</b>	<b>671</b>	<b>2,575</b>	<b>8,086</b>
<b>Accumulated Amortisation</b>						
<b>At 30 June 2015</b>	<b>764</b>	<b>1,009</b>	<b>1,336</b>	-	-	<b>3,109</b>
Amortisation	-	87	41	-	-	128
Acquisition of subsidiary	-	5	-	-	-	5
Exchange Differences	-	(3)	-	-	-	(3)
Disposals	-	(2)	(2)	-	-	(4)
<b>At 30 June 2016</b>	<b>764</b>	<b>1,096</b>	<b>1,375</b>	-	-	<b>3,235</b>
Amortisation	-	109	56	-	-	165
Exchange Differences	-	-	-	-	-	-
Disposals	-	(10)	(2)	-	-	(12)
<b>At 30 June 2017</b>	<b>764</b>	<b>1,195</b>	<b>1,429</b>	-	-	<b>3,388</b>
<b>Net Book Value</b>						
30 June 2016	-	637	412	-	2,575	3,624
30 June 2017	-	947	505	671	2,575	4,698

## Notes to the consolidated financial statements

### Note 15: Goodwill

Goodwill, acquired through business combinations has been allocated to the MyHealthTest (MHT) CGU, which is also an operating segment, for impairment testing.

Carrying amount of Goodwill:

	2017 \$'000	2016 \$'000
Goodwill	2,575	2,575

The Group performed its annual impairment test in June 2017.

MyHealthTest is an IP & start-up R&D company in the early stage of its life cycle and is currently undertaking IT and product development activities. As such, MHT has not yet generated substantial or material independent cash inflows.

The recoverable amount of the MHT CGU has been determined based on a value in use calculation using cash flow projections from budgets and the strategic plan approved by senior management covering a seven-year period. A seven year period has been used to account for the development status of the business and the time period required to achieve full commercialisation of products. The pre-tax discount rate applied to cash flow projections is 25% and cash flows beyond the seven-year period are extrapolated using a 2.0% growth rate. As a result of the analysis management did not identify an impairment for the MHT CGU.

Significant judgements and estimates have been applied in the value in use calculation. The recoverable amount is sensitive to the expected future cash in-flows which are based on estimated market size, market share and selling price. These estimates have been based on market size projections from independent data and expected adoption. No reasonably possible movement in assumptions would cause an impairment.

	2017 \$000's	2016 \$000's
--	-----------------	-----------------

### Note 16: Trade and Other Payables

#### Current

#### *Unsecured liabilities*

Trade payables	1,352	2,084
Sundry payables and accrued expenses	2,186	1,607
	<b>3,538</b>	<b>3,691</b>

## Notes to the consolidated financial statements

<b>Note 17: Borrowings</b>	<b>2017</b>	<b>2016</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Current</b>		
<i>Secured liabilities</i>		
Bank overdraft	136	388
Bankers Acceptances	1,747	1,292
Bank loans	511	648
Non-bank finance	333	232
	<b>2,727</b>	<b>2,560</b>
<b>Non Current</b>		
<i>Secured liabilities</i>		
Bank loans	2,312	3,294
Non-bank finance	245	282
	<b>2,557</b>	<b>3,576</b>
Bank overdraft	136	388
Bankers acceptances	1,747	1,292
Bank loans	2,823	3,942
Non-bank finance	578	514
<b>Total Borrowings</b>	<b>5,284</b>	<b>6,136</b>
<b>The carrying amounts of assets pledged as security are:</b>		
First mortgage		
Land and buildings	1,035	1,172
Other assets pledged as security	26,704	24,311
Total assets pledged as security	<b>27,739</b>	<b>25,483</b>

ITL Healthcare Pty Ltd has overdraft, term loan and other finance facilities from Commonwealth Bank of Australia. In addition there is a bank guarantee of \$185,000 that has been provided to a third party. These facilities are secured by cross guarantees and debenture charges from ITL Limited, ITL Corporation Pty Ltd and ITL Healthcare Pty Ltd.

ITL Asia Pacific Sdn Bhd has term loan, overdraft, bankers' acceptance, hire purchase and other finance facilities including one bank guarantees equivalent to \$72,774 (RM 240,000) provided to the local Malaysian power company. These facilities are secured by registered 1<sup>st</sup> to 3<sup>rd</sup> legal charges over the company's factory at Bemban in Malaysia, 1<sup>st</sup> to 9<sup>th</sup> debenture charges over both current and future fixed and floating assets of the company and parent entity corporate guarantees.

MyHealthTest Pty Ltd has provided a bank guarantee to a third party for \$6,545. This is secured by a term deposit.

## Notes to the consolidated financial statements

Note 18: Tax Assets / (Liabilities)	2017 \$000's	2016 \$000's	
Current			
Income tax receivable	-	-	
Income tax payable	-	-	
Non-Current	Opening Balance \$000's	Charged to Income \$000's	Closing Balance \$000's
Deferred Tax Asset			
Property, Plant & Equipment	506	(458)	48
R&D eligible expenditure (refer Note 1 (v) (i))	811	525	1,336
Other	670	(186)	484
Balance at 30 June 2017	1,987	(119)	1,868
Property, Plant & Equipment	623	(117)	506
R&D eligible expenditure (refer Note 1 (v) (i))	810	1	811
Other	504	166	670
Balance at 30 June 2016	1,937	50	1,987

<b>Note 19 Provisions</b>	<b>2017 \$000's</b>	<b>2016 \$000's</b>
<b>Short-term</b>		
Employee benefits	848	880
Grant income provision	-	9
	<b>848</b>	<b>889</b>
<b>Long-term</b>		
Employee benefits	92	102
Make good provision	306	343
Deferred grant income provision	63	56
	<b>461</b>	<b>501</b>

Movement in the make good provision is as follows: -

Balance at 1 July	343	333
Unwinding of provision	(46)	-
Discount rate adjustment	-	-
Increase in provisions	9	10
<b>Balance at 30 June</b>	<b>306</b>	<b>343</b>

### Provision for long-term employee benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

MyHealthTest Pty Ltd has received commercialisation grant funds of which a portion relates to purchase of plant and equipment. This is being held in provisions and is to be amortised to profit over the life of the assets in accordance with AASB120.



## Notes to the consolidated financial statements

	2017 \$000's	2016 \$000's
<b>Note 20: Issued Capital</b>		
<b>a. Ordinary shares</b>		
At beginning of reporting period	31,869	29,474
Share Buy back (i)	-	(48)
Transaction costs net of tax (ii)	-	-
Shares issued during the period (share based payments) (iii)	88	143
Shares issued (acquisition of MHT)( iv)	-	2,300
	<b>31,957</b>	<b>31,869</b>
	<b>No. 000's</b>	<b>No. 000's</b>
At beginning of reporting period	95,357	84,678
Share Buy back (i)	-	(240)
Shares issued during the period (share based payments) (iii)	571	919
Shares issued (acquisition of MHT)( iv)	-	10,000
	<b>95,928</b>	<b>95,357</b>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholder's meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on show of hands.

	2017	2016
(i) Buy back average price	-	\$0.201
Buy back price range	-	\$0.190-\$0.205
Total cost of buy back \$'000s	-	48
(ii) The transaction costs represent brokerage costs associated with the buy back.		
(iii) The Executive Share Plan ("ESP") was approved at the 31 October 2014 Annual General Meeting for the three year period to 30 October 2017. Under the ESP, and following approvals obtained at the 31 October 2014 Annual General Meeting, shares may be issued to Executives and Directors in lieu of part or all of their annual remuneration including bonuses. The issue price is determined as the lesser of the volume weighted average of ITL prices during the 12 month period preceding the issue date and the current market price. Under the ESP there was one issue to key management personnel during the year ended 30 June 2017. This was recorded in the accounts at the fair value which was the market price of the ITL shares on the day of the issue. Details are as follows:		
	<b>2017</b>	<b>2016</b>
• 22/6/2016 - issue price	-	\$0.155
- fair value	-	\$0.155
• 23/8/2016 - issue price	\$0.155	-
- fair value	\$0.155	-
(iv) 10,000,000 shares were issued for \$2,300,000 during the year ended 30 June 2016 as consideration for 100% of the issued capital in MyHealthTest Pty Ltd. This transaction was approved at the AGM held 26 November 2015 and completed on 1 December 2015.		

## Notes to the consolidated financial statements

### Note 20: Issued Capital (continued)

#### b. Capital Management

Management control the capital of the Group in order to maintain a sound debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manage the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Taking into account available funding, projected cash flows and capital requirements, the Board obtained shareholder approval for and implemented an on-market share buyback. The Board considers that this is an effective means of returning any surplus capital to shareholders and will enable the company to maintain an efficient capital structure.

The gearing ratios for the year ended 30 June are as follows:

	Note	2017 \$000's	2016 \$000's
Total borrowings	17	5,284	6,136
Less cash and cash equivalents	8	(2,690)	(611)
Net debt		2,594	5,525
Total equity		17,608	14,266
Total Net Debt and Equity		20,202	19,791
Gearing ratio (Net Debt/Net Debt + Equity)		13%	28%

#### Note 21: Reserves

	2017 \$000's	2016 \$000's
<b>(a) Foreign Currency Translation Reserve</b>		
At beginning of year	(1,089)	(948)
Foreign Currency translation differences	(482)	(141)
	(1,571)	(1,089)
<b>(b) Share Based Payment Reserve</b>		
At beginning of year	-	-
Share Based Payment provision	307	-
Transfer to Retained Earnings	-	-
	307	-

#### Nature and purpose of reserves

##### (a) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

##### (b) Share Based Payment Reserve

The share based payment reserve records provisions following the issue of performance rights.

## Notes to the consolidated financial statements

	2017 \$000's	2016 \$000's
<b>Note 22 Capital and Leasing Commitments</b>		
<b>(a) Property rent and lease commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than 1 year	758	626
- later than 1 year but not later than 5 years	532	36
- later than 5 years	-	-
	<u>1,290</u>	<u>662</u>
Property rent and lease commitments are non-cancellable and primarily relate to office premises in Australia and USA. The Australian property's lease operates until 30 June 2018.		
<b>(b) Operating lease commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than 1 year	12	15
- later than 1 year but not later than 5 years	22	1
- later than 5 years	-	-
	<u>34</u>	<u>16</u>
Operating lease relates to office equipment; the terms are due to run out within the next one to 4 years.		
<b>(c) Capital Commitments</b>		
Payable		
- not later than 1 year	214	251
- later than 1 year but not later than 5 years	-	-
- later than 5 years	-	-
	<u>214</u>	<u>251</u>
Capital commitments relate to plant & equipment in ITL Asia Pacific Sdn Bhd		

## Notes to the consolidated financial statements

	2017 \$000's	2016 \$000's
<b>Note 23: Cash Flow Information</b>		
<b>(a) Credit Standby Arrangements with Banks</b>		
Credit facility	1,304	1,386
Amount utilised	(136)	(388)
	<u>1,168</u>	<u>998</u>

The bank overdraft facilities are arranged with two banks with the general terms and conditions being set and agreed to annually. Interest rates are variable and subject to adjustment.

### **(b) Term Loans**

Loan facility	4,272	4,572
Amount utilised	(2,823)	(3,942)
	<u>1,449</u>	<u>630</u>

The bank loan facilities are arranged with two banks with the general terms and conditions being set and agreed to annually. Interest rates are variable and subject to adjustment.

### **(c) Bankers Acceptances**

Credit facility	1,747	1,912
Amount utilised	(1,747)	(1,292)
	<u>-</u>	<u>620</u>

Bankers' Acceptance facilities arranged with a Malaysian bank and are subject to specific terms for use. Rates are variable and subject to adjustment.

### **(c) HP**

Credit facility	455	502
Amount utilised	(120)	(94)
	<u>335</u>	<u>408</u>

HP facilities arranged with a Malaysian bank are subject to specific terms of use for purchase of fixed assets.

### **(e) Non-bank finance**

Credit facility	458	420
Amount utilised	(458)	(420)
	<u>-</u>	<u>-</u>

The non-bank financing of the Group's insurance policies is arranged with a specialist insurance funding institution with general terms and conditions set and agreed annually. Rates are fixed. The Group also has arranged financing with a specialist IT financing institution for IT infrastructure projects. Rates are fixed.

## Notes to the consolidated financial statements

### Note 24: Contingent Liabilities and Contingent Assets

There were no contingent assets or liabilities as at the date of this report.

For information on bank guarantees given by ITL Limited and its controlled entities, refer to Note 17: Borrowings.

### Note 25: Controlled Entities

#### (a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%) 2017	Percentage Owned (%) 2016
<b>Ultimate Parent Entity</b>			
ITL Limited	Australia	-	-
<b>Subsidiaries of ITL Limited:</b>			
ITL Corporation Pty Limited	Australia	100%	100%
Noble House Group Pty Limited	Australia	100%	100%
ITL North America Inc	USA	100%	100%
ITL Asia Pacific Sdn Bhd	Malaysia	100%	100%
ITL Healthcare Pty Limited	Australia	100%	100%
MyHealthTest Pty Ltd	Australia	100%	100%
ITL Australia Pty Ltd	Australia	100%	100%
ITL EIP Pty Ltd	Australia	100%	100%
<b>Subsidiaries of ITL Healthcare Pty Limited:</b>			
Surgicare Pty Limited	Australia	100%	100%

#### (b) Entities subject to class order relief

Following the acquisition of MyHealthTest Pty Ltd on 1 December 2015 the Group entities that were party to the existing Deed of Cross Guarantee revoked that Deed and entered into a new Deed of Cross Guarantee on 26 April 2016 inclusive of ITL Limited, ITL Healthcare Pty Limited, ITL Corporation Pty Limited, Surgicare Pty Limited, Noble House Group Pty Limited and MyHealthTest Pty Ltd. The effect of the deed is that ITL Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that ITL Limited is wound up or does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. At the reporting date each of the entities are below the threshold for requirements to prepare and lodge audited financial reports and are not reliant on Class Order 98/1418 for reporting relief.

## Notes to the consolidated financial statements

### Note 26: Related Party Transactions

Transactions with related parties are on terms equivalent to an arm's length transaction unless otherwise stated.

Transactions with related parties:

(i) **Ultimate Parent Company** – Nil

(ii) **Entities within wholly owned group** – Nil

(iii) **Directors**

		Sales \$'000	Amounts owed from \$'000	Purchases \$'000	Amounts owed to \$'000
Transactions - other directors' interests	2017	-	-	-	-
	2016	6	-	27	27

(iv) **Key Management Personnel**

The totals of remuneration paid to KMP of the Company and the Group during the year are:

	<b>2017</b> <b>\$000's</b>	<b>2016</b> <b>\$000's</b>
Short term employee benefits	2,281,282	1,802,017
Post-employment benefits	70,388	56,600
Long term benefits	10,774	11,810
Share Based Payments - Shares	72,000	-
Options	306,781	-
<b>Total KMP Remuneration</b>	<b>2,741,225</b>	<b>1,870,427</b>

## Notes to the consolidated financial statements

### Note 27: Events After Balance Sheet Date

At the close of 18 August 2017 nil ordinary shares have been bought back since 30 June 2017. On 1 August 2017 922,034 shares were issued to key management personnel under the long term incentive plan. Issued capital at the close of business on 18 August 2017 is 96,850,348 ordinary shares.

There has not been any other matter or circumstance in the interval between the end of the year and the date of this report that has materially affected or may materially affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

### Note 28: Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, hire purchase agreements and leases.

#### Financial Risk Management Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group businesses whilst managing its interest rate, foreign exchange, liquidity and credit risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group policy is not to engage in speculative transactions.

#### Treasury Risk Management

Head office management review currency and interest rate exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

#### Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

##### (a) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2017 approximately 11% (2016: 8%) of the Group's debt of \$5,284k (2016: \$6,136k) was fixed rate. The Board reviews the mix of fixed and floating rate debt to ensure that a suitable balance is maintained commensurate with business needs.

	Average Effective Interest rate		Total Borrowings	
	2017	2016	2017 \$000's	2016 \$000's
Floating rate instruments	5.22%	5.28%	4,706	5,622
Fixed rate instruments	7.07%	7.40%	578	514
			<b>5,284</b>	<b>6,136</b>

## Notes to the consolidated financial statements

### Note 28: Financial Risk Management (continued)

#### (b) Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency. The Group is also exposed to foreign currency risks through holding financial assets and financial liabilities in foreign currencies in its subsidiaries. Fluctuations in exchange rates between the Australian dollar and US dollar, Malaysian Ringgit and the Euro may impact the Group's financial results. The Group manages its exposure to currency risk by borrowing in local currencies and selective hedging. Cash is receipted where possible in local currencies and used to settle debts arising from meeting working capital requirements in local currencies. All significant financial assets and financial liabilities are held in the functional currency of the operation holding the financial instrument.

#### (c) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to its financial liabilities. The Group manages this risk by:

- preparing cash flow forecasts;
- ensuring that adequate unutilised borrowing facilities are maintained;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- investing surplus cash only with major financial institutions.

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such the amounts may not reconcile to the balance sheet.

2017 \$'000	Interest Rate range	On demand	Due < 1 year	Due 1 – 2 years	Due 2 – 5 years	Due > 5 years	Total
<b>Bank overdraft</b>	8.15%	-	136	-	-	-	136
<b>Bankers Acceptances</b>	4.82-5.16%	-	1,747	-	-	-	1,747
<b>Bank loans</b>	4.75-8.40%	-	494	505	1,288	536	2,823
<b>Non-bank loans</b>	3.67-7.47%	-	305	81	72	-	458
<b>Hire purchase</b>	4.25%	-	25	27	68	-	120
<b>Trade and other payables</b>	-	-	3,537	-	-	-	3,537
<b>Bank guarantees</b>	-	270	-	-	-	-	270
<b>Interest expected</b>	-	-	276	153	289	121	839
<b>Total Financial Liabilities</b>		270	6,520	766	1,717	657	9,930

2016 \$'000	Interest Rate range	On demand	Due < 1 year	Due 1 – 2 years	Due 2 – 5 years	Due > 5 years	Total
<b>Bank overdraft</b>	8.10%	-	388	-	-	-	388
<b>Bankers Acceptances</b>	5.16-5.32%	-	1,292	-	-	-	1,292
<b>Bank loans</b>	4.95-8.60%	-	648	660	1,790	844	3,942
<b>Non-bank loans</b>	3.94-7.47%	-	216	80	124	-	420
<b>Hire purchase</b>	4.25%	-	16	18	60	-	94
<b>Trade and other payables</b>	-	-	3,691	-	-	-	3,691
<b>Bank guarantees</b>	-	286	-	-	-	-	286
<b>Interest expected</b>	-	-	150	50	350	65	615
<b>Total Financial Liabilities</b>		286	6,401	808	2,324	909	10,728



## Notes to the consolidated financial statements

### Note 28: Financial Risk Management (continued)

#### (d) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter-parties of contract obligations that could lead to a financial loss to the Group. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The credit risk is limited to trade and other receivables, as reported in note 9, and bank balances, as reported in note 8, for the Group.

The major exposure to credit risk is customer receivables which are managed closely by each operating segment. There is no significant concentration with respect to particular customers and the allowance for impairment loss required at 30 June 2017 was less than 1% of debt. Credit risk from balances with banks is managed by Head Office and at 30 June 2017 98% of cash balances were held with Commonwealth Bank of Australia, 1% with Maybank and 1% with Citibank.

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

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided thereon. Amounts are considered 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

Neither the Group nor the parent entity holds any trade or other receivables with terms that have been renegotiated, but which would have otherwise been past due or impaired.

	<b>2017</b> <b>\$000's</b>	<b>2016</b> <b>\$000's</b>
Trade Receivables Ageing Analysis		
Current	3,291	3,441
1 to 30 days	1,046	944
31 to 60 days	211	132
61 to 90 days	18	92
91 to 120 days	3	39
Over 120 days	17	60
Provisions for impairment	(9)	(30)
	<b>4,577</b>	<b>4,678</b>
Balances that are past due but not impaired	1,285	1,237

## Notes to the consolidated financial statements

### Note 28: Financial Risk Management (continued)

#### (d) Credit risk (continued)

On a geographical basis the Group has credit risk exposures in Australia, United States and the United Kingdom arising from significant sales in each of the regions. The Group's exposure to credit risk in those regions at the reporting date is as follows (expressed in Australian dollar equivalents): -

	<b>2017</b>	<b>2016</b>
	<b>\$000's</b>	<b>\$000's</b>
Australia	2,653	2,819
USA	1,338	722
United Kingdom	31	832
Puerto Rico	-	89
France	440	-
Other	115	216
	<b>4,577</b>	<b>4,678</b>

#### Fair Values

The fair values of financial assets and financial liabilities are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.

The fair values of other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.

Management has assessed that fair values of cash and cash equivalents, trade and other receivables, trade and other payables, bank overdrafts and fixed rate loans approximate their carrying amounts largely due to the short term maturity of these instruments.

Aggregate fair values and carrying amounts of financial assets and liabilities at balance date:

	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
Financial Assets				
Cash and cash equivalents	2,690	2,690	611	611
Trade and other receivables	4,821	4,821	5,044	5,044
	<b>7,511</b>	<b>7,511</b>	<b>5,655</b>	<b>5,655</b>
Financial Liabilities				
Trade and other payables	3,538	3,538	3,691	3,691
Other loans and amounts due	5,284	5,284	6,136	6,136
	<b>8,822</b>	<b>8,822</b>	<b>9,827</b>	<b>9,827</b>

## Notes to the consolidated financial statements

### Note 28: Financial Risk Management (continued)

#### Sensitivity Analysis

##### Interest Rate Risk, Foreign Currency Risk and Price Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

##### *Interest Rate Sensitivity Analysis*

The Group is exposed to movements in interest rates as a result of its net debt positions at 30 June:

	<b>2017</b>	<b>2016</b>
	<b>\$000's</b>	<b>\$000's</b>
Total Floating Rate Borrowings	4,706	5,622
Less Cash and Cash Equivalents	(2,690)	(611)
Net Debt/(Cash)	<u>2,016</u>	<u>5,011</u>

For year ended 30 June, the effect on profit after tax and equity as a result of reasonably possible changes in the interest rate, with all other variables remaining constant would be as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$000's</b>	<b>\$000's</b>
<u>Change in profit after tax</u>		
Increase in interest rates by 1%	(14)	(35)
Decrease in interest rates by 1%	14	35
<u>Change in equity</u>		
Increase in interest rates by 1%	-	-
Decrease in interest rates by 1%	-	-

The above table demonstrates the sensitivity to a reasonably possible change in interest rates based on movements in interest rates experienced during the preceding 12 months.

##### *Foreign Currency Risk and Sensitivity Analysis*

The following table illustrates the Group's sensitivities to reasonable possible changes in exchange rates based on movements experienced in the preceding 12 months. The table indicates the impact on profit after tax and net assets of the Group reported at the reporting date that would have been affected by changes in exchange rates. It is assumed that the exchange rate movement is independent of other variables.

At 30 June 2017, the Group had the following material exposure to foreign currency that is not designated in cash flow hedges:

		<b>2017</b>	<b>2016</b>
		<b>000's</b>	<b>000's</b>
Trade & Other Receivables	USD	1,962	2,013
	MYR	120	161
Trade & Other Payables	USD	225	350
	EUR	264	261
	MYR	854	1,084

## Notes to the consolidated financial statements

### Note 28: Financial Risk Management (continued)

#### *Foreign Currency Risk and Sensitivity Analysis (continued)*

For year ended 30 June, the effect on profit and equity as a result of changes in the value of the Australian Dollar to foreign currencies, with all other variables remaining constant is as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$000's</b>	<b>\$000's</b>
<u>Change in profit after tax</u>		
Increase in AUD to USD by 5%	(251)	(118)
Increase in AUD to MYR by 5%	244	332
Increase in AUD to EUR by 5%	40	53
Decline in AUD to USD by 5%	251	118
Decline in AUD to MYR by 5%	(244)	(332)
Decline in AUD to EUR by 5%	(40)	(53)
<u>Change in equity</u>		
Increase in AUD to USD by 5%	(10)	(5)
Increase in AUD to MYR by 5%	(244)	(241)
Decline in AUD to USD by 5%	10	5
Decline in AUD to MYR by 5%	244	241

It should be noted that the above impacts are primarily as a result of exposure to Malaysian Ringgit expenses, exposure to U.S. dollar revenue net of expenses, exposure to EUR expenses and net assets of the Group's Malaysian and U.S. companies.

## Notes to the consolidated financial statements

### Note 29: Operating Segments

Management have determined the operating segments based upon reports reviewed by the Board and executive management that are used to make strategic decisions. Refer to note 1(c) for discussion on the composition of reportable segments.

The following table presents the revenue and profit information regarding business unit segments for the years ended 30 June 2017 and 30 June 2016.

#### Year ended 30 June 2017

	BioMed \$'000	HCA \$'000	MHT \$'000	Total Segments \$'000	Corporate & Other \$'000	Adjusts. and Elims. \$'000	Total \$'000
<b>Revenue</b>							
External customers	13,690	21,073	11	34,774	-	-	34,774
Inter segment	3,870	-	-	3,870	-	(3,870)	-
	<b>17,560</b>	<b>21,073</b>	<b>11</b>	<b>38,644</b>	<b>-</b>	<b>(3,870)</b>	<b>34,774</b>
Other revenue	103	62	-	165	-	-	165
Grant Income	-	-	51	51	-	-	51
Interest revenue	-	-	-	-	-	-	-
	<b>103</b>	<b>62</b>	<b>51</b>	<b>216</b>	<b>-</b>	<b>-</b>	<b>216</b>
<b>Total segment revenue</b>	<b>17,663</b>	<b>21,135</b>	<b>62</b>	<b>38,860</b>	<b>-</b>	<b>(3,870)</b>	<b>34,990</b>
<b>Result</b>							
Segment results *	4,073	2,525	(931)	5,667	(1,712)	(31)	3,924
<b>Earnings Before Interest and Tax *</b>	<b>4,073</b>	<b>2,525</b>	<b>(931)</b>	<b>5,667</b>	<b>(1,712)</b>	<b>(31)</b>	<b>3,924</b>
Interest revenue	-	-	-	-	-	-	-
Interest expense	(209)	(132)	-	(341)	(30)	-	(371)
Income tax benefit/(expense)	(1,218)	(718)	243	(1,693)	1,569	-	(124)
<b>Total segment results</b>	<b>2,646</b>	<b>1,675</b>	<b>(688)</b>	<b>3,633</b>	<b>(173)</b>	<b>(31)</b>	<b>3,429</b>

\* Includes Corporate recharges to each segment

## Notes to the consolidated financial statements

### Note 29: Operating Segments (continued)

Year ended 30 June 2016

	BioMed \$'000	HCA \$'000	MHT \$'000	Total Segments \$'000	Corporate & Other \$'000	Adjusts. and Elims. \$'000	Total \$'000
<b>Revenue</b>							
External customers	11,206	19,872	5	31,083	-	-	31,083
Inter segment	2,704	-	-	2,704	-	(2,704)	-
	<b>13,910</b>	<b>19,872</b>	<b>5</b>	<b>33,787</b>	<b>-</b>	<b>(2,704)</b>	<b>31,083</b>
Other revenue	19	58	-	77	-	-	77
Grant Income	-	-	287	287	-	-	287
Interest revenue	-	-	-	-	23	-	23
	<b>19</b>	<b>58</b>	<b>287</b>	<b>364</b>	<b>23</b>	<b>-</b>	<b>387</b>
<b>Total segment revenue</b>	<b>13,929</b>	<b>19,930</b>	<b>292</b>	<b>34,151</b>	<b>23</b>	<b>(2,704)</b>	<b>31,470</b>
<b>Result</b>							
Segment results *	2,123	95	(433)	1,785	(1,198)	105	692
<b>Earnings Before Interest and Tax *</b>	<b>2,123</b>	<b>95</b>	<b>(433)</b>	<b>1,785</b>	<b>(1,198)</b>	<b>105</b>	<b>692</b>
Interest revenue	-	-	-	-	23	-	23
Interest expense	(210)	(144)	-	(354)	(32)	-	(386)
Income tax benefit/(expense)	(259)	11	186	(62)	77	-	15
<b>Total segment results</b>	<b>1,654</b>	<b>(38)</b>	<b>(247)</b>	<b>1,369</b>	<b>(1,130)</b>	<b>105</b>	<b>344</b>

\* Includes Corporate recharges to each segment

## Notes to the consolidated financial statements

### Note 29: Operating Segments (continued)

#### Geographic Information

Revenues from External Customers	2017 \$000's	2016 \$000's
Australia	22,455	21,260
USA	5,495	4,262
United Kingdom	2,184	3,336
Puerto Rico	1,153	857
France	1,681	53
Other	1,806	1,315
<b>Total revenue per consolidated statement of profit or loss</b>	<b>34,774</b>	<b>31,083</b>

#### Non Current Operating Assets

Australia	4,014	3,150
Malaysia	5,010	4,723
USA	20	15
	<b>9,044</b>	<b>7,888</b>

#### Segment Information

##### Year ended 30 June 2017

	BioMed	HCA	MHT	Total Segments	Corporate & Other	Adjusts and Elims.	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Total Assets	17,087	8,465	4,695	30,247	3,697	(6,205)	27,739
Capital Expenditure	1,291	16	1,131	2,438	35	-	2,473
Depreciation & Amortisation	450	229	89	768	94	-	862
Total Liabilities	7,772	4,436	3,101	15,309	1,241	(6,419)	10,131

##### Year ended 30 June 2016

	BioMed	HCA	MHT	Total Segments	Corporate & Other	Adjusts and Elims.	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Total Assets	14,225	9,003	3,727	26,955	4,015	(5,487)	25,483
Capital Expenditure	525	49	301	875	148	-	1,023
Depreciation & Amortisation	407	405	43	855	80	-	935
Total Liabilities	6,900	7,218	1,161	15,279	728	(4,790)	11,217

## Notes to the consolidated financial statements

### **Note 29 Operating Segments (continued)**

For the purposes of monitoring segment performance and allocating resources between segments, segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists.

The Group has a number of customers to which it provides its products and services with the top 5 customers accounting for 33% of total external revenue. The most significant customer accounts for 20% of total external revenue of ITL BioMedical, or 8% of the total group revenue.

#### **Intersegment Transactions**

Segment revenues, expenses and results include transactions between segments. The transfer prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Consolidated Group at an arm's length. These transactions are eliminated on consolidation.



## Notes to the consolidated financial statements

### Note 30: Share-based Payments

#### (a) Executive Share Plan

The Executive Share Plan ("ESP") was approved at the 31 October 2014 Annual General Meeting for the three year period to 30 October 2017. Under the ESP, and following approvals obtained at the 26 October 2016 Annual General Meeting, shares may be issued to Executives and Directors in lieu of part or all of their annual remuneration including bonuses. The issue price is determined as the lesser of the volume weighted average of ITL prices during the 12 month period preceding the issue date and the current market price.

On 23 August 2016 510,968 ordinary shares were issued under the ESP at an issue prices of \$0.155. This price was determined as the current market price. In line with AASB Share-based payments, this share issue is reflected in the accounts at fair value which is the market price of ITL shares of \$0.155 on the grant date of 23 August 2016.

#### (b) Long Term Incentive

The Group has implemented a Long Term incentive plan for employees identified by the Board. The plan is based on the grant of performance rights that vest into shares on a one-to-one basis exercise price of nil per right subject to performance and service conditions.

The performance measures approved by the Board are linked to the creation of shareholder value measured by Total Shareholder Return by achieving Compound Annual Growth Rates in the share price over the performance period

If the employee leaves during the period before the performance rights vest the rights may be forfeited with the Board having discretion to allow any granted rights to vest. Partial or full vestment may be considered on retrenchment, death and disability.

Offer	Performance period end date	Granted during the year	Balance at end of the year	Value per entitlement
Jan 2017 LTI offer	1/9/2019	1,906,572	1,906,572	\$0.2275
Jan 2017 LTI offer (a)	1/7/2017	922,034	922,034	\$0.1620
Jan 2017 LTI offer (b)	1/7/2018	922,034	922,034	\$0.1775
Jan 2017 LTI offer (c)	1/7/2019	922,034	922,034	\$0.1868

There have been no rights vested or lapsed during the reporting period. Performance rights granted during the year were at grant date of 16/1/2017 when the market price on the day was \$0.2950. The exercise price of the rights is nil. It is assumed there are no dividends paid during the period in line with recent periods. A volatility factor of 70% has been factored in based on analysis of share price data over an analysis period from 1/1/2014 to 16/6/2017 (being consistent to the period of vesting) and a discount rate of 1.7% based on market yields available from government bonds assumed. The valuation assumes nil staff turnover.

Rights will vest after the performance period based on following payments scale:

Performance Level*	% of award vesting
<10%	0% vesting
15% $\geq$	100%
10% to <15%	50 to 100% pro rata

\* Compound Annual Growth Rate in share price from start price share price measured against 90 day Volume Weighted Average Price up to vesting date.

The expenses recognised during the period ending 30 June 2017 used Monte Carlo valuation methodologies.

## Notes to the consolidated financial statements

### Note 30: Share-based Payments (continued)

Total expenses arising from share based payments recognised during the period as part of Salaries and Employee Benefits Expense were as follows:

	2017 \$000's	2016 \$000's
Shares issued under ESP	81	-
Performance rights granted	307	-
	<u>388</u>	<u>-</u>

### Note 31: Parent Entity Information

Financial Position	2017 \$000's	2016 \$000's
<b>Assets</b>		
Current Assets	1,304	869
Non Current Assets	18,094	15,197
Total Assets	<u>19,398</u>	<u>16,066</u>
<b>Liabilities</b>		
Current Liabilities	1,072	498
Non Current Liabilities	6,021	1,786
Total Liabilities	<u>7,093</u>	<u>2,284</u>
<b>Equity</b>		
Issued Capital	31,957	31,869
Retained Earnings	(19,959)	(18,087)
Reserves	307	-
Total Equity	<u>12,305</u>	<u>13,782</u>
<b>Financial Performance</b>		
Profit/(Loss) for the year	1,302	1,450
Other comprehensive income	-	-
Total Comprehensive Income	<u>1,302</u>	<u>1,450</u>

The parent entity received dividends of \$440k from other entities within the Group during 2017 (2016:\$2,011k).

There are no contingent assets or liabilities other than those disclosed in Notes 17 and 24.

The company has guaranteed the banking facilities of a number of subsidiaries as detailed in Note 17. Under the terms of the financial guarantees, the company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due. Terms and face values of the liabilities guaranteed were as follows:

	30 June 2017 Face Value \$'000	30 June 2016 Face Value \$'000
Bank Loans of Controlled Entities	<u>4,706</u>	<u>5,622</u>

There is \$214k of capital commitments at 30 June 2017 (2016: \$251k Capital commitments).

## Notes to the consolidated financial statements

### **Note 32: Company Details**

The registered office and principal place of business of the company is:

ITL Limited  
1/63 Wells Road  
Chelsea Heights VIC 3196  
Australia

## Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards (including the Australian Accounting interpretations);
  - b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the Consolidated Group; and
  - c. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.
2. the Chief Executive Officer and the Chairman have signed Management Representation Letters declaring to the best of their knowledge:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view of the financial position and performance of the company.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. in the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that members of the Closed Group identified in note 25 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Cross Guarantee.

This declaration is made in accordance with a resolution of the Board of Directors.



**William Mobbs**  
Executive Chairman  
Dated this 21st day of August 2017

## Auditor's Report



Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000 Australia  
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000  
Fax: +61 3 8650 7777  
ey.com/au

### Independent Auditor's Report to the Members of ITL Limited

#### Report on the Audit of the Financial Report

##### Opinion

We have audited the financial report of ITL Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

##### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation



#### Assessment of carrying value of goodwill in MyHealthTest ('MHT')

Why significant	How our audit addressed the key audit matter
<p>As at 30 June 2017, goodwill relating to the MHT cash generating unit (CGU) amounted to \$2.6m. The directors prepared an impairment assessment that was based on a value in use calculation of the MHT CGU. We focused on the impairment assessment for MHT as the business is in a start-up phase and the assessment is sensitive to changes in assumptions (in particular the commercialisation of the testing product, achieving budgeted revenue targets, the discount rate and the assumptions underlying future operating cash flows).</p> <p>The directors concluded that there was no impairment of goodwill.</p> <p>The Group's disclosures are included in note 15 to the financial report.</p>	<p>Our audit procedures assessed the recoverable amount of goodwill and the related disclosures. In performing our assessment, involving our valuation specialists:</p> <ul style="list-style-type: none"> <li>▶ We assessed the appropriateness of the valuation methodology.</li> <li>▶ We agreed the cash flow forecasts used in the impairment model to the Board approved budget. We considered the directors' expectations in respect of market size and share and whether these were appropriately reflected in the cash flow forecasts.</li> <li>▶ We assessed development and commercialisation achievements against Board approved milestones.</li> <li>▶ We assessed the discount rate used by the Group, with reference to external market data.</li> <li>▶ We assessed the sufficiency of the sensitivity analysis performed by the directors and performed further sensitivity analyses, primarily focused on changes in discount rate, market size and share.</li> <li>▶ We considered the adequacy of the disclosures in note 15 to the financial report.</li> </ul>

#### Capitalisation of development costs

Why significant	How our audit addressed the key audit matter
<p>The Group develops IT systems and laboratory processes for dry blood spot testing within MHT. Development costs are capitalised and presented as intangible assets on the statement of financial position.</p> <p>We consider this to be a key audit matter as capitalised development costs of \$1.4m are deemed significant to the MHT segment, as well as due to the specific criteria that have to be met for capitalisation under Australian Accounting Standard - AASB 138 <i>Intangible Assets</i>.</p> <p>The measurement of capitalised development costs is based on the time and overhead costs associated with individuals employed by the Group for the specific purpose of developing systems and laboratory processes. Capitalised development costs are amortised once the product is available for use.</p> <p>The Group's disclosures are included in note 14 to the financial report.</p>	<p>We performed audit procedures over the accuracy and valuation of amounts recognised. Our audit procedures included:</p> <ul style="list-style-type: none"> <li>▶ We assessed the Group's capitalisation policy against the recognition criteria of AASB 138.</li> <li>▶ We tested the measurement of employee costs capitalised. In doing so, we tested a sample of employee costs capitalised to employee contracts and timesheets and a sample of overhead costs to supporting evidence.</li> <li>▶ We considered whether any indicators of impairment were present by understanding the business rationale of projects and performing an assessment for indicators of impairment.</li> <li>▶ We assessed the adequacy of the Group's disclosure in Note 14 <i>Intangible assets</i>.</li> </ul>



### Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

### Responsibilities of the Directors for the Financial Report

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

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

### Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation





- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication





## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 17 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of ITL Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive, stylized font.

Ernst & Young

A handwritten signature in black ink that appears to be 'Ashley Butler' in a cursive, stylized font.

Ashley Butler  
Partner  
Melbourne  
21 August 2017

## Shareholder Information

### Stock Exchange Listing

ITL Limited's shares are listed on the Australian Securities Exchange (ASX) under the code ITD.

The shareholder information set out below was current at 3 August 2017.

There were 878 holders of ordinary shares in the Company. These shareholders held 96,850,348 ordinary shares. All issued ordinary shares carry one vote per share.

### Distribution of Ordinary Shares

Holdings Ranges	Holders	Total Units	%
1-1,000	37	14,136	0.015
1,001-5,000	226	740,324	0.764
5,001-10,000	123	1,025,061	1.058
10,001-100,000	400	13,456,457	13.894
100,001-99,999,999,999	92	81,614,370	84.269
<b>Totals</b>	<b>878</b>	<b>96,850,348</b>	<b>100.000</b>

Holdings less than a marketable parcel 30

### Substantial Shareholders as at 3 August 2017:

	Number of Shares	% Held
Bilbo Holdings Pty Ltd	35,796, 868	36.96

## Twenty Largest Shareholders at 3 August 2017:

Rank	Name/Address 1	Balance as at 03	%
<b>1</b>	<b>BILBO HOLDINGS PTY LTD</b>	<b>35,796,868</b>	<b>36.961%</b>
	BILBO HOLDINGS PTY LTD <BILBO FAMILY A/C>	13,402,847	13.839%
	HASTCOMBE PTY LTD	4,319,128	4.460%
	BILBO SUPER PTY LTD <BILBO SUPER FUND A/C>	17,396,927	17.963%
	WILLIAM MOBBS	677,966	0.700%
<b>2</b>	<b>THE BOAT FUND</b>	<b>4,449,752</b>	<b>4.594%</b>
	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,449,752	4.594%
<b>3</b>	<b>MR CHRIS CARR &amp; MRS BETSY CARR</b>	<b>4,000,000</b>	<b>4.130%</b>
<b>4</b>	<b>CITICORP NOMINEES PTY LIMITED</b>	<b>3,539,104</b>	<b>3.654%</b>
<b>5</b>	<b>ANACACIA PTY LTD &lt;WATTLE FUND A/C&gt;</b>	<b>3,044,490</b>	<b>3.143%</b>
<b>6</b>	<b>A &amp; P TURNBULL INVESTMENTS PTY LTD</b>	<b>3,113,786</b>	<b>3.215%</b>
	A & P TURNBULL INVESTMENTS PTY LTD <TURNBULL FAMILY S/F A/C>	2,333,350	2.409%
	CANDOO PTY LTD <THE TURNBULL FAMILY A/C>	658,402	0.680%
	ANDREW TURNBULL	122,034	0.126%
<b>7</b>	<b>MS STEPHANIE NORRELL</b>	<b>2,339,760</b>	<b>2.416%</b>
	MS STEPHANIE NORRELL	2,339,760	2.416%
<b>8</b>	<b>MR CRAIG DOUGLAS WILSON</b>	<b>1,794,552</b>	<b>1.853%</b>
	MR CRAIG DOUGLAS WILSON	1,179,543	1.218%
	COCAMA SUPERANNUATION FUND PTY LTD <WILSON FAMILY S/F A/C>	500,800	0.517%
	MRS KARINA PHYLLIDA WILSON	114,209	0.118%
<b>9</b>	<b>BNP PARIBAS NOMINEES PTY LTD &lt;IB AU NOMS RETAILCLIENT DRP&gt;</b>	<b>1,549,277</b>	<b>1.600%</b>
<b>10</b>	<b>PEATCORP SUPER PTY LIMITED &lt;PEATCORP SUPER PTY LTD A/C&gt;</b>	<b>1,402,233</b>	<b>1.448%</b>
	PEATCORP SUPER PTY LIMITED <PEATCORP SUPER PTY LTD A/C>	769,231	0.794%
	PEATCORP SUPER PTY LIMITED <PEATCORP P/L SUPER FUND A/C>	510,968	0.528%
	MARK PEATEY	122,034	0.126%
<b>11</b>	<b>FRED PARRISH INVESTMENTS PTY LTD &lt;PARRISH FAMILY A/C&gt;</b>	<b>1,158,233</b>	<b>1.196%</b>
	FRED PARRISH INVESTMENTS PTY LTD <PARRISH FAMILY A/C>	652,650	0.674%
	FRED PARRISH INVESTMENTS PTY LTD <PARRISH FAMILY A/C>	505,583	0.522%
<b>12</b>	<b>MRS GLENIS NITA O'DONNELL</b>	<b>1,108,830</b>	<b>1.145%</b>
<b>13</b>	<b>MR NICHOLAS JOHN CERNEAZ</b>	<b>1,034,775</b>	<b>1.068%</b>
	MS KAREN LOUISE CERNEAZ	612,779	0.633%
	DR NICHOLAS JOHN CERNEAZ	332,813	0.344%
	CENIKA PTY LTD <CENIKA SUPER FUND A/C>	89,183	0.092%
<b>14</b>	<b>HOFF COMPANY NO3 PTY LTD &lt;BEREND HOFF SUPER FUND A/C&gt;</b>	<b>945,335</b>	<b>0.976%</b>
<b>15</b>	<b>DJD ORR PTY LTD &lt;DOJO SUPER FUND A/C&gt;</b>	<b>936,038</b>	<b>0.966%</b>
<b>16</b>	<b>MRS SALLYANNE LEE MOBBS &amp; MR RICHARD JAMES MOBBS &lt;MOBBSTERS SUPER FUND A/C&gt;</b>	<b>910,603</b>	<b>0.940%</b>
	MRS SALLYANNE LEE MOBBS & MR RICHARD JAMES MOBBS <MOBBSTERS SUPER FUND A/C>	507,870	0.524%
	MR RICHARD JAMES MOBBS & MRS SALLY-ANNE LEE MOBBS <MOBBSTERS FAMILY A/C>	402,733	0.416%
<b>17</b>	<b>NARINDER PALL SINGH KANDA</b>	<b>829,996</b>	<b>0.857%</b>
	NARINDER PALL SINGH KANDA	494,644	0.511%
	MRS ANITA ROOP KANDA	244,702	0.253%
	NK & AK PTY LTD <KANDA SUPER FUND A/C>	90,650	0.094%
<b>18</b>	<b>MOAT INVESTMENTS PTY LTD &lt;MOAT INVESTMENT A/C&gt;</b>	<b>581,500</b>	<b>0.600%</b>
<b>19</b>	<b>MR DONALD JULIAN CHANNER</b>	<b>500,000</b>	<b>0.516%</b>
<b>20</b>	<b>DR MARIANNE LOUISE GOULD</b>	<b>491,895</b>	<b>0.508%</b>
		<b>69,527,027</b>	<b>71.788%</b>

# Corporate Directory

## Directors

Mr William Mobbs  
Mr Andrew Turnbull  
Mr Mark Peatey

Executive Chairman  
Chairman, Audit & Risk Management Committee

## Company Secretary

Mr Trevor Doolan

## Registered Office

Unit 1, 63 Wells Road  
Chelsea Heights, VIC 3196  
Telephone  
Facsimile

(03) 8773 3050  
(03) 8773 3059

## Share Registry

Boardroom Pty Limited  
Level 12, Grosvenor Place  
225 George Street  
Sydney, NSW 2000

General Enquires  
Facsimile  
Website  
Email

1300 737 760  
1300 653 459  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)  
[enquires@boardroomlimited.com.au](mailto:enquires@boardroomlimited.com.au)

## Auditor

Ernst & Young

## Media

Walbrook IR  
Ben Knowles  
Telephone  
Email

+61 426 277 760  
[Ben.knowles@walbrookir.com.au](mailto:Ben.knowles@walbrookir.com.au)