Appendix 4D

1. Company details

Name of entity:	Integral Diagnostics Limited
ABN:	55 130 832 816
Reporting period:	For the half year ended 31 December 2022
Previous period	For the half year ended 31 December 2021

2. Results for announcement to the market

			$'000
Revenues from ordinary activities	up	18.8% to	**215,701**
Profit from ordinary activities after tax attributable to the owners of Integral Diagnostics Limited	up	58.2% to	**16,137**
Profit for the half year attributable to the owners of Integral Diagnostics Limited	up	58.2% to	**16,137**

Dividends

Dividends were declared and paid in respect of FY22 of 7.0 cents per share.

The Directors declared a dividend of 2.5 cents per share (1H FY22: 4.0 cents per share) on 17 February 2023 payable on 4 April 2023 representing a dividend payout ratio of 74.4% of Operating NPAT.

Comments

Statutory net profit after tax was up 58.2% to $16.1m (1H FY22: $10.2m). After adjusting for non-operating provisions, acquisition transaction and integration costs, customer contract amortisation and other costs of $8.3m (1H FY22: $2.5m), operating net profit after tax was down 36.4% to $7.8m (1H FY22: $12.3m[1]).

Revenue for 1H FY23 was up 18.8% to $215.7m (1H FY22: $181.5m).

The 1H FY23 results delivered modest organic growth, together with contributions from acquisitions. The features of the half-year result include:

- Slow gradual recovery of patient volumes. Further recovery expected to drive positive operating leverage and improved profitability over time;
- Limited price increases with Medicare indexation of 1.6% well below inflation. No inflation adjustment from the Accident Compensation Corporation (ACC) and District Health Boards (DHBs) and limited inflation indexation from private health insurers in New Zealand. Selective price increases taken where possible while remaining market competitive;
- Significant cost pressures, especially higher labour costs, driven by inflation and labour market supply constraints, together with higher interest funding costs. Management is focused on containing and reducing costs wherever possible. In 1H FY23, the executive LTI plan expense of $0.2m (non-tax deductible) has also been recorded as part of operating labour expenses, compared to prior years' treatment as a non-operating transaction;
- Operating EBITDA margin decrease of 300 bps compared to the prior corresponding period (230 bps compared to FY22), with both Peloton Radiology and Horizon Radiology acquisitions experiencing similar volume trends as the Group's existing businesses in both Queensland and New Zealand respectively;

1 In 1H FY23 the cost of the executive LTI plan has been reallocated to operating labour costs. To ensure consistency of presentation, 1H FY22 financial information has also been restated. The impact of this reallocation is a decrease of $0.2m to 1H FY23 Operating EBITDA, Operating EBITA and Operating NPAT and a decrease of $0.6m to 1H FY22 Operating EBITDA, Operating EBITA and Operating NPAT.

- A full six-month contribution from the X-Ray Group acquisition compared to the prior corresponding period (1H FY22: four-month contribution); and
- The acquisition of Peloton Radiology and Horizon Radiology, both of which completed on 1 July 2022, providing a six-month contribution.

In 1H FY23 IDX showed an organic revenue increase in Australia of 4.1% adjusted for working days (Q1 2.0%; Q2 6.2%; January 2023 double digit growth). This compares favourably with the experience across the broader industry, with Medicare benefits for the States in which IDX operates showing a 1.2% decrease in weighted average benefits paid for the period from July to December 2022, adjusted for working days. The slow gradual recovery of patient volumes in Australia is expected to drive positive operating leverage and improved profitability over time.

This compares to a backdrop of strong, consistent Australia-wide industry growth for a decade of approximately 6% per annum.

Pleasingly, New Zealand achieved an organic revenue increase of 4.1% on a constant currency basis adjusted for working days.

The Company believes the underlying fundamentals of the radiology industry remain strong and the Company is confident that patient volumes and historical growth patterns will over time return to pre-COVID-19 levels, and that continued investment in our workforce and infrastructure will position the Company well.

In the absence of unforeseen, extraordinary circumstances, 2H FY23 is expected to be materially stronger than 1H FY23.

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

Acquisition integration

The acquisitions of Peloton Radiology and Horizon Radiology were both completed effective 1 July 2022.

Cash flow and capital management

Net debt increased by $14.7m to $194.2m (1H FY22: $179.5m). the Group's net debt to equity ratio at 31 December 2022 was 52.4% (1H FY22: 67.2%) and net debt/EBITDA ratio at 31 December 2022 was 3.1x (1H FY22: 2.6x).

At 31 December 2022 the Group held cash of $35.8m. In addition to cash on hand, the Group has committed facilities of $379.5m, of which $149.5m remains undrawn, and access to a further $105.0m under an Accordion facility. Current debt facilities are not due until February 2026. The Group is in compliance with all covenant requirements under the debt facility.

Dividend

A fully franked interim dividend of 2.5 cents per share (1H FY22: 4.0 cents per share) has been declared, representing a dividend payout ratio of 74.4% of Operating NPAT.

The Dividend Reinvestment Plan (DRP) will again be available for participation for the 1H FY23 dividend distribution.

Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(100.31)	(112.55)

Control gained over entities

Effective 1 July 2022, the Group acquired:

- Peloton Radiology Group, comprising the following Australian registered entities:
    - Citiscan Radiology Pty Ltd;
    - Peloton Radiology Pty Ltd;
    - The Women's Imaging Group Pty Ltd;
    - X-Ray & Imaging Holdings Pty Ltd;
    - X-Ray & Imaging Pty Ltd; and
- Horizon Radiology Limited.

Loss of control over entities

Not applicable.

Dividends

Current period

	Declared Date	Amount per security Cents	Franked amount per security Cents
Dividend declared to shareholders of the Company	17 Feb 2023	2.5	2.5

Previous period

	Date Paid	Amount per security Cents	Franked amount per security Cents
Interim Dividend paid to shareholders of the Company	4 Apr 2022	4.0	4.0
Final Dividend paid to shareholders of the Company	5 Oct 2022	3.0	3.0

Details of associates and joint venture entities

Not applicable.

Audit review

This report is based on the half year financial report for the half year ended 31 December 2022, which has been reviewed by PricewaterhouseCoopers.

Additional Appendix 4D disclosures can be found in the attached half year financial report, which contains the Directors' Report, the Directors' Declaration and the consolidated financial statements for the half year ended 31 December 2022.

This information should be reviewed in conjunction with the 2022 annual financial report and public announcements made in the period by Integral Diagnostics Limited, in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

Attachments

The Interim Financial Report of Integral Diagnostics Limited for the half year ended 31 December 2022 is attached.

Signed

Helen Kurincic
Independent Non-Executive Chair
Melbourne

Date: 17 February 2023

Interim Report

2023

integral DIAGNOSTICS

Acknowledgement of Country

Integral Diagnostics (IDX) acknowledges Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia. We proudly recognise Elders past, present and emerging as the Traditional Owners of the lands on which we work and live. We're committed to supporting Indigenous self-determination and envision a future where all Australians embrace Aboriginal and Torres Strait Islander histories, cultures and rights as a central part of our Australian identity.

IDX recognises the status of Māori as Tangata Whenua and embraces the guiding Principles of Te Tiriti o Waitangi. We seek to grow our understanding of Kaupapa Māori, Tikanga Māori and Te Ao Māori in order to uphold our Te Tiriti responsibilities.

ABN 55 130 832 816

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We pride ourselves in the quality care and service that we deliver, in the trust that our referrers have in us, and in being the preferred provider to our patients.

Directors' Report

Financial Statements

Directors' Report

DIRECTORS' REPORT

The directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Group') consisting of Integral Diagnostics Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half year ended 31 December 2022.

Directors

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

Helen Kurincic (Independent Non-Executive Chair)
John Atkin (Independent Non-Executive Director)
Raelene Murphy (Independent Non-Executive Director)
Dr Ian Kadish (Managing Director and Chief Executive Officer)
Dr Nazar Bokani (Executive Director)
Dr Jacqueline Milne (Executive Director)
Andrew Fay (Independent Non-Executive Director) commenced 18 July 2022

Principal activities

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

Significant changes in the state of affairs

On 1 July 2022, the Group completed its acquisition of Peloton Radiology, a scale provider of diagnostic imaging services with a strategic presence from Brisbane to the Sunshine Coast, in the high growth corridor of South East Queensland. Also on 1 July 2022, the Group completed its acquisition of Horizon Radiology, a significant provider of obstetrics and musculoskeletal x-ray and ultrasound services, which provides the Group with the opportunity to expand its presence and offering in the Auckland market.

See Note 14 to the financial statements for full details of these transactions.

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

Review of operations

Statutory net profit after tax was up 58.2% to $16.1m (1H FY22: $10.2m). After adjusting for non-operating provisions, acquisition transaction and integration costs, customer contract amortisation and other costs of $8.3m (1H FY22: $2.5m), operating net profit after tax was down 36.4% to $7.8m (1H FY22: $12.3m[1]).

Revenue for 1H FY23 was up 18.8% to $215.7m (1H FY22: $181.5m).

The 1H FY23 results delivered modest organic growth, together with contributions from acquisitions. The features of the half-year result include:

- Slow gradual recovery of patient volumes. Further recovery expected to drive positive operating leverage and improved profitability over time;
- Limited price increases with Medicare indexation of 1.6% well below inflation. No inflation adjustment from the Accident Compensation Corporation (ACC) and District Health Boards (DHBs) and limited inflation indexation from private health insurers in New Zealand. Selective price increases taken where possible while remaining market competitive
- Significant cost pressures, especially higher labour costs, driven by inflation and labour market supply constraints, together with higher interest funding costs. Management is focused on containing and reducing costs wherever possible. In 1H FY23, the executive LTI plan expense of $0.2m (non-tax deductible) has also been recorded as part of operating labour expenses, compared to prior years' treatment as a non-operating transaction;
- Operating EBITDA margin decrease of 300 bps compared to the prior corresponding period (230 bps compared to FY22), with both Peloton Radiology and Horizon Radiology acquisitions experiencing similar volume trends as the Group's existing businesses in both Queensland and New Zealand respectively;
- A full six-month contribution from the X-Ray Group acquisition compared to the prior corresponding period (1H FY22: four-month contribution); and
- The acquisition of Peloton Radiology and Horizon Radiology, both of which completed on 1 July 2022, providing a six-month contribution.

[1] In 1H FY23 the cost of the executive LTI plan has been reallocated to operating labour costs. To ensure consistency of presentation, 1H FY22 financial information has also been restated. The impact of this reallocation is a decrease of $0.2m to 1H FY23 Operating EBITDA, Operating EBITA and Operating NPAT and a decrease of $0.6m to 1H FY22 Operating EBITDA, Operating EBITA and Operating NPAT.

Consistent with our values that 'patients are at the heart of everything we do', the Company has remained committed to maintaining our workforce and infrastructure to ensure we are well positioned to service patients as demand increases.

In 1H FY23 IDX showed an organic revenue increase in Australia of 4.1% adjusted for working days (Q1 2.0%; Q2 6.2%; January 2023 double digit growth). This compares favourably with the experience across the broader industry, with Medicare benefits for the States in which IDX operates showing a 1.2% decrease in weighted average benefits paid for the period from July to December 2022, adjusted for working days. The slow gradual recovery of patient volumes in Australia is expected to drive positive operating leverage and improved profitability over time.

This compares to a backdrop of strong, consistent Australia-wide industry growth for a decade of approximately 6% per annum.

Pleasingly, New Zealand achieved an organic revenue increase of 4.1% on a constant currency basis adjusted for working days.

The Company is maintaining its focus on executing its organic growth strategy. In 1H FY23 capital expenditure totalled $13.6m, with $5.1m relating to growth initiatives including improved services to patients with investment in a PET CT at Smith Street, an MRI upgrade at Robina, a CT at Mauranui and a SPECT-CT at Millenium. In addition, the Company continues to integrate the recent acquisitions of the X-Ray Group, Peloton Radiology and Horizon Radiology.

The Company believes the underlying fundamentals of the radiology industry remain strong and the Company is confident that patient volumes and historical growth patterns will over time return to pre-COVID-19 levels.

In the absence of unforeseen, extraordinary circumstances, 2H FY23 is expected to be materially stronger than 1H FY23.

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

Acquisitions & integration

The acquisitions of Peloton Radiology and Horizon Radiology were both completed effective 1 July 2022.

Cash flow & capital management

Net debt increased by $14.7m to $194.2m (1H FY22: $179.5m). the Group's net debt to equity ratio at 31 December 2022 was 52.4% (1H FY22: 67.2%) and net debt/EBITDA ratio at 31 December 2022 was 3.1x (1H FY22: 2.6x).

At 31 December 2022 the Group held cash of $35.8m. In addition to cash on hand, the Group has committed facilities of $379.5m, of which $149.5m remains undrawn, and access to a further $105.0m under an Accordion facility. Current debt facilities are not due until February 2026. The Group is in compliance with all covenant requirements under the debt facility.

Dividend

A fully franked interim dividend of 2.5 cents per share (1H FY22: 4.0 cents per share) has been declared, representing a dividend payout ratio of 74.4% of Operating NPAT.

The Dividend Reinvestment Plan (DRP) will again be available for participation for the 1H FY23 dividend distribution.

Subsequent events

A fully franked interim dividend of 2.5 cents per share was declared on 17 February 2023.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

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

Comparatives

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

Auditor's independence declaration

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

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

17 February 2023
Melbourne

Helen Kurincic
Independent Non-Executive Chair

Dr Ian Kadish
Managing Director and Chief Executive Officer

Auditor's Independence Declaration

As lead auditor for the review of Integral Diagnostics Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Niamh Hussey
Partner
PricewaterhouseCoopers

Melbourne
17 February 2023

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

Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the half year ended 31 December 2022

	Note	31 Dec 22 $'000	31 Dec 21 $'000
Revenue			
Revenue		215,701	181,531
Interest and other income		244	125
Total revenue and other income	4	**215,945**	**181,656**
Expenses			
Consumables		(10,674)	(9,299)
Employee benefits expense		(135,402)	(110,436)
Depreciation		(12,227)	(9,832)
Amortisation of customer contracts		(1,227)	(1,430)
Amortisation of right of use asset		(7,916)	(6,208)
Transaction and integration costs (net of adjustments to contingent consideration)	16	9,669	(817)
Share based payment expense		(1,049)	(1,061)
Equipment related expenses		(7,773)	(6,288)
Occupancy expenses		(4,075)	(3,983)
Other general expenses		(18,017)	(11,952)
Finance costs		(8,561)	(5,008)
Share of net profits of joint ventures accounted using the equity method		(210)	(119)
Total expenses		**(197,462)**	**(166,433)**
Profit before income tax expense		**18,483**	**15,223**
Income tax expense		(2,346)	(5,023)
Profit for the half-year from continuing operations		**16,137**	**10,200**
Profit is attributable to:			
Owners of Integral Diagnostics Limited		16,137	10,200
		Cents	Cents
Earnings per share attributable to the owners of Integral Diagnostics Limited			
Basic earnings per share		6.94	5.09
Diluted earnings per share		6.85	5.03

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 31 December 2022

	Note	31 Dec 22 $'000	31 Dec 21 $'000
Profit for the half-year		16,137	10,200
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations, net of tax		2,249	533
		2,249	533
Total comprehensive income for the half-year		**18,386**	**10,733**
Total comprehensive income for the half-year is attributable to:			
Owners of Integral Diagnostics Limited		**18,386**	**10,733**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	31 Dec 22 $'000	30 Jun 22 $'000
Assets			
Current assets			
Cash and cash equivalents	5	**35,803**	123,193
Trade and other receivables		**20,215**	19,409
Income tax receivable		**5,411**	3,594
Other assets		**9,638**	6,524
Inventory		**1,321**	1,264
Total current assets		**72,388**	153,984
Non-current assets			
Property, plant and equipment	6	**142,933**	124,252
Right-of-use assets		**127,130**	106,881
Intangible assets	7	**477,105**	380,487
Deferred tax assets		**19,223**	17,252
Investments accounted for using the equity method		**411**	159
Total non-current assets		**766,802**	629,031
Total assets		**839,190**	783,015
Liabilities			
Current liabilities			
Trade and other payables		**32,798**	22,897
Contingent consideration	16	**9,025**	16,376
Borrowings	9	**4,464**	5,470
Lease liabilities	15	**13,644**	11,740
Provisions		**26,897**	23,521
Total current liabilities		**86,828**	80,004
Non-current liabilities			
Borrowings	9	**220,487**	217,582
Contingent consideration	16	**8,528**	8,236
Lease liabilities	15	**125,183**	106,199
Deferred tax liabilities		**16,462**	14,226
Provisions		**11,154**	9,524
Total non-current liabilities		**381,814**	355,767
Total liabilities		**468,642**	435,771
Net assets		**370,548**	347,244
Equity			
Contributed capital	10	**333,084**	322,543
Reserves		**(8,944)**	(12,455)
Retained profits		**46,408**	37,156
Total equity		**370,548**	347,244

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2022

	Note	Contributed capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2021		**219,219**	**(8,883)**	**44,403**	**254,739**
Profit for the half-year after income tax expense		-	-	10,200	10,200
Movement on translation of foreign operations		-	533	-	533
Total comprehensive income for the period		**-**	**533**	**10,200**	**10,733**
Transactions with owners in their capacity as owners:					
Shares issued under radiologist incentive scheme		1,500	-	-	1,500
Share based payments		-	1,061	-	1,061
Net deferred tax asset impact of transaction costs in equity		(109)	-	-	(109)
Shares issued for cash consideration		300			300
Shares issued as consideration for a business combination		12,000	-	-	12,000
Shares issued on vesting of executive LTI performance rights		1,022	(1,022)	-	-
Dividends paid		599	-	(13,825)	(13,226)
Balance at 31 December 2021		**234,531**	**(8,311)**	**40,778**	**266,998**

	Note	Contributed capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2022		**322,543**	**(12,455)**	**37,156**	**347,244**
Profit for the half-year after income tax expense		-	-	16,137	16,137
Movement on translation of foreign operations		-	2,249	-	2,249
Total comprehensive income for the period		**-**	**2,249**	**16,137**	**18,386**
Transactions with owners in their capacity as owners:					
Shares issued under radiologist incentive scheme		1,322	-	-	1,322
Share based payments		-	1,262	-	1,262
Net deferred tax asset impact of transaction costs in equity		-	-	-	-
Shares issued for cash consideration		-	-	-	-
Shares issued as consideration for a business combination	14	9,023	-	-	9,023
Shares issued on vesting of executive LTI performance rights		-	-	-	-
Dividends paid	11	196	-	(6,885)	(6,689)
Balance at 31 December 2022		**333,084**	**(8,944)**	**46,408**	**370,548**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2022

	Note	31 Dec 22 '000	31 Dec 21 '000
Cash flows from operating activities			
Receipts from customers		216,164	181,639
Payments to suppliers and employees		(173,309)	(149,534)
Transaction and integration costs relating to acquisition of subsidiaries		(4,412)	(817)
Interest and other finance costs paid		(8,213)	(4,958)
Interest received		125	125
Income taxes paid		(5,771)	(9,759)
Net cash from operating activities		**24,584**	**16,696**
Cash flows from investing activities			
Payments for purchase of subsidiaries, net of cash acquired	14	(84,812)	(24,025)
Payments in settlement of contingent consideration		-	(831)
Payments for property, plant and equipment		(13,592)	(13,241)
Payment for investment in joint venture entity		(50)	(101)
Net cash used in investing activities		**(98,454)**	**(38,198)**
Cash flows from financing activities			
Proceeds from issue of share capital		1,322	1,800
Proceeds from borrowings drawn		-	33,742
Repayment of borrowings		(2,156)	(1,878)
Repayment of the principal element of lease liabilities		(6,281)	(5,356)
Dividends paid to Company shareholders		(6,689)	(13,226)
Net cash from financing activities		**(13,804)**	**15,082**
Net increase (decrease) in cash and cash equivalents		(87,674)	(6,420)
Cash and cash equivalents at the beginning of the half-year		123,193	62,203
Effects of exchange rate changes on cash and cash equivalents		284	(220)
Cash and cash equivalents at the end of the half-year	5	**35,803**	**55,563**

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1. General information

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

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

Suite 9.02, Level 9
45 William Street
Melbourne VIC 3000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 17 February 2023.

2. Significant accounting policies

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

The financial report has been prepared on a going concern basis. While the Group is in a net current asset deficit position at 31 December 2022, the Group has sufficient operating cash flows and available debt facilities to pay its debts as and when they fall due.

New, revised or amending Accounting Standards and Interpretations adopted

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

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

3. Segment information

Identification of reportable operating segments

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

Accounting policy for operating segments

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

Other information

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

	31 Dec 22 $'000	31 Dec 21 $'000
Total revenue and other income from continuing operations		
Australia	189,140	159,996
New Zealand	26,805	21,660
	215,945	181,656

	31 Dec 22 $'000	30 Jun 22 $'000
Total non-current assets		
Australia	606,494	475,640
New Zealand	160,308	153,391
	766,802	629,031

4. Revenue and other income

	31 Dec 2022 $'000	31 Dec 2021 $'000
Sales revenue		
Services revenue	215,701	180,495
Other income	244	1,036
Revenue and other income	215,945	181,531
Timing of revenue recognition		
At a point in time	214,225	172,540
Over time	1,720	8,991
	215,945	181,531

5. Cash and cash equivalents

	31 Dec 2022 $'000	30 Jun 2022 $'000
Cash on hand	26	21
Cash at bank	35,777	123,172
	35,803	123,193

6. Property, plant and equipment

During the six months ended 31 December 2022, the Group acquired assets and work in progress with a cost of $13.8m excluding those assets acquired as part of the acquisition of the Peloton Radiology Group and Horizon Radiology Group on 1 July 2022 as disclosed in Note 14 (half year ended 31 December 2021: $4.1m).

During the six months ended 31 December 2022, the Group disposed of assets with a written down value of ($0.4m) (half year ended 31 December 2021: ($1.3m)).

7. Intangible assets

	31 Dec 2022 $'000	30 June 2022 $'000
Goodwill - at cost	445,714	352,462
Brand names - at cost	28,917	25,546
Customer contracts - at cost	17,815	16,234
Less: Accumulated amortisation	(15,341)	(13,755)
	2,474	2,479
Total intangible assets	477,105	380,487

Reconciliations:

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

	Note	Goodwill $'000	Brand names $'000	Customer contracts $'000	Total $'000
Balance at 1 July 2022		352,462	25,546	2,479	380,487
Acquisitions	14	88,321	3,042	1,175	92,538
Amortisation expense		-	-	(1,251)	(1,251)
Foreign exchange differences		4,931	329	71	5,331
Balance at 31 December 2022		445,714	28,917	2,474	477,105

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

	Australia $'000	New Zealand $'000	Total $'000
Goodwill	300,014	145,700	445,714
Brand names	19,226	9,691	28,917
Customer contracts	1,194	1,280	2,474
Balance at 31 December 2022	320,434	156,671	477,105

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less an impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method of amortisation and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Brand names and trademarks

Significant costs associated with brand names and trademarks are not amortised but are tested for impairment annually on the same basis and within the same value-in-use calculation as outlined above and are carried at cost.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit,being the remaining term of the contract as at the date of acquisition. The balance remaining consists of the contracts held with the Central Queensland Hospital and Health Service, and the Southern Cross Health Insurance, Accident Compensation Corporation, Health Benefits Limited and Health Alliance in New Zealand.

8. Impairment test for intangible assets

Goodwill and brand name assets were last tested for impairment at 30 June 2022. This test involved the preparation of value in use calculations to ensure that recoverable amounts for these assets exceeded their carrying values. Further details regarding this testing were disclosed in Note 14 to the Group's Consolidated Financial Statements for the year ended 30 June 2022.

At 31 December 2022, the Group has considered whether there are any impairment indicators that warrant impairment testing. In the Group's cash generating unit (CGU) in New Zealand, the adverse impact of the ongoing COVID-19 pandemic together with an emerging issue of referrer-owned radiology practices in the Auckland market were considered impairment indicators. In the Group's Australian CGU, the adverse impact of the ongoing pandemic and the uncertainty over the speed of the recovery from these conditions were considered impairment indicators.

The timing of recovery from the COVID-19 pandemic in Australia and New Zealand CGUs, and the longer-term impact of the referrer-owned radiology practices on the New Zealand CGU are highly uncertain at this stage and will be continually monitored and acted upon appropriately. The company continues to plan and implement management initiatives to address this situation, and also work with industry and regulatory authorities to maintain professional, quality, arms-length referral practices that protect patient interests.

Based on an assessment of this matter, including the expected recovery in performance going forward, impairment testing concluded that no impairment was required for either CGU. This situation will continue to be monitored and tested again at the 30 June 2023 financial year end.

Key assumptions

The recoverable amount is determined based on value-in-use calculations which require the use of assumptions. At 31 December 2022, the recoverable amount of the Australian and New Zealand CGU's are estimated to exceed their carrying values by $227.2 million and $36.4 million respectively.

Five year compound annual growth rate

The calculations use cash flow projections based on financial budgets approved by the Board. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with the long-term strategic growth forecasts for the Group, and assume a continuation of the stable regulatory environment for healthcare services in both Australia and New Zealand.

The value-in-use calculations have been assessed for the sensitivity of the five year compound growth rate as a key input. A decrease in the five year compound annual growth rate to 0.9% and 3.4% could cause an impairment in the Australian and New Zealand cash generating units respectively.

Long term growth rate

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

The value-in-use calculations have been assessed for the sensitivity of the five year compound growth rate as a key input. A decrease in the long term growth rate to (3.3%) and (1.4%) could cause an impairment in the Australian and New Zealand cash generating units respectively.

Pre-tax discount rate

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

The value-in-use calculations have been assessed for the sensitivity of the five year compound growth rate as a key input. An increase in the pre- tax discount rate to 15.4% and 15.7% could cause an impairment in the Australian and New Zealand cash generating units respectively.

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

	31 Dec 2022	30 Jun 2022	Break even rate
Australia			
Five year compound growth rate	7.4%	6.3%	0.9%
Long term growth rate	2.5%	2.5%	(3.3%)
Pre-tax discount rate	11.7%	10.8%	15.4%
New Zealand			
Five year compound growth rate	7.6%	6.9%	3.4%
Long term growth rate	2.0%	2.0%	(1.4%)
Pre-tax discount rate	13.6%	12.4%	15.7%

9. Borrowings

	Note	31 Dec 2022 $'000	30 Jun 2022 $'000
Current			
Asset financing facility		4,464	5,470
Non-current			
Asset financing facility		3,375	4,525
Club debt facility		217,112	213,057
		220,487	217,582
Total borrowings		224,951	223,052

Accounting policy for borrowings

The Group has committed facilities of $379.5m, of which $149.5m remains undrawn, and access to a further $105.0m under an Accordion facility. The Group is in compliance with all covenant requirements under the debt facility. Under the current lending arrangement the cash advance facilities expire in February 2026.

10. Contributed capital

	Consolidated		Consolidated	
	31 Dec 22 Shares	30 Jun 22 Shares	31 Dec 22 $'000	30 Jun 22 $'000
Ordinary shares – fully paid	232,958,551	229,070,797	333,084	322,543

Issued capital movements relate to the issuance of shares as consideration for business combinations completed in the period (refer note 14 for further details), employee share schemes and the dividend reinvestment plan. Refer to the statement of changes in equity for further detail of the movements in paid up capital for the period.

	Date	Number of Shares	Issue price	Total $'000
Balance at 30 June 2022		229,070,797		322,543
Shares issued as consideration as part of Horizon Radiology acquisition	1 July	463,635	3.90	1,810
Shares issued as consideration as part of Peloton Radiology acquisition	1 July	2,096,657	3.44	7,213
Shares issued under radiologist loan share scheme – self-funded[1]	5 September	439,010	3.02	1,322
Shares issued under radiologist loan share scheme – loan-funded[1]	5 September	815,066	-	-
Shares issued as consideration for acquisition	5 October	73,386	2.68	196
Balance at 31 December 2022		232,958,551		333,084

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

11. Dividends

Dividends paid during the period were as follows:

	31 Dec 2022 $'000	31 Dec 2021 $'000
Final Dividend paid 3.0 cents per share on 5 October 2022	6,885	-
Final Dividend paid 7.0 cents per share on 6 October 2021	-	13,825
	6,885	13,825

12. Related party transactions

No transactions with related parties occurred within the current period.

13. Contingent liabilities and commitments

The Group had given bank guarantees at 31 December 2022 of $3.6m (31 December 2021: $2.7m) to various landlords.

The Group had capital commitments for plant and equipment of $28.1m at 31 December 2022 (31 December 2021: $9.8m).

There has been no other significant change to the substance or value of commitments to those disclosed in the 30 June 2022 financial report.

14. Business combinations

Acquisition of Peloton Radiology

Effective 1 July 2022, the Group acquired the shares of the Peloton Radiology, a scale provider of diagnostic imaging services with a strategic presence from Brisbane to the Sunshine Coast in the high growth corridor of South East Queensland. Peloton Radiology:

- Enhances IDX's presence in the high growth corridor of South East Queensland;
- Provides radiology services at nine clinics;
- Is a comprehensive provider of diagnostic imaging services, with a highly diversified modality mix; and
- Employs 12 radiologists and has three partial MRI licences.

The key terms of the acquisition included:

- Upfront purchase consideration of $66.0m on a cash and debt free basis, comprising $58.8m in cash and $7.2m in new ordinary IDX shares; and
- An initial earn-out payment up to $3.0m and a final earn-out payment of up to $1.0m, subject to the fulfilment of several non-financial criteria.

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

	Fair value recognised on acquisition $'000
Plant and equipment	12,037
Right of use assets	15,397
Brand names	3,042
Customer contracts	-
Intangible assets	-
Deferred tax	(1,668)
Borrowings	-
Lease liabilities	(15,397)
Employee benefits	(2,159)
Provisions	(695)
Cash assets	459
Working capital assets	1,433
Working capital liabilities	(1,588)
Net assets acquired	10,861
Goodwill	59,803
Acquisition-date fair value of the total consideration transferred	70,664
Representing:	
Cash paid to vendor	58,776
Integral Diagnostics Limited shares issued to vendor	7,213
Contingent consideration	4,675
	70,664
Net cash acquired with subsidiary	(459)
Cash paid	58,776
Net cash flow on acquisition	58,317

Acquisition-related costs

Acquisition-related costs of $40,564 relating to Peloton Radiology have been expensed in the Income Statement under 'transaction and integration costs' in the financial period.

Contingent consideration

The contingent consideration arrangement requires the Group to pay the vendors of Peloton Radiology two fixed cash payments, up to a maximum undiscounted amount of $4,675,000 upon certain criteria being met. There is no minimum amount payable.

The fair value of the contingent consideration arrangement was estimated at $4,675,000 calculating the present value of the future expected cash flows.

Revenue and profit contribution

Peloton Radiology has contributed revenues of $18,103,587 and net profit of $1,577,233 to the Group for the period from 1 July 2022 to 31 December 2022.

Acquisition of Horizon Radiology

Effective 1 July 2022, the Group acquired the shares of the Horizon Radiology Limited, a provider of general practitioner referred obstetrics and musculoskeletal x-ray and ultrasound services in Auckland, New Zealand. Horizon Radiology:

- Expands IDX's presence in New Zealand's largest market in Auckland
- Is a significant provider of obstetrics and musculoskeletal x-ray and ultrasound services; and
- Operates eight clinics that are located close to major general practitioner referrers.

The key terms of the acquisition included:

- Upfront consideration of NZD$32.0m on a cash and debt free basis, comprising of NZD$30.0m in cash and NZD$2.0m in new ordinary IDX shares; and
- Earn-out payments of NZD$3.0m payable in two equal instalments over two years, subject to EBITDA performance hurdles.

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

	Fair value recognised on acquisition $'000
Plant and equipment	1,770
Right of use assets	5,104
Brand names	-
Customer contracts	1,175
Intangible assets	(206)
Deferred tax	-
Borrowings	(195)
Lease liabilities	(5,109)
Employee benefits	(353)
Provisions	(183)
Cash assets	593
Working capital assets	959
Working capital liabilities	(462)
Net assets acquired	3,093
Goodwill	28,518
Acquisition-date fair value of the total consideration transferred	31,611
Representing:	
Cash paid to vendor	27,090
Integral Diagnostics Limited shares issued to vendor	1,810
Contingent consideration	2,711
	31,611
Net cash acquired with subsidiary	(593)
Cash paid	27,090
Net cash flow on acquisition	26,497

Acquisition-related costs

Acquisition-related costs of $277,463 relating to Horizon Radiology have been expensed in the Income Statement under 'transaction and integration costs' in the financial period.

Contingent consideration

The contingent consideration arrangement requires the Group to pay the vendors of Horizon Radiology two fixed cash payments of NZD$1,500,000 each, up to a maximum undiscounted amount of NZD$3,000,000 upon EBITDA performance hurdles being met. There is no minimum amount payable.

The fair value of the contingent consideration arrangement was estimated at NZD$3,000,000 calculating the present value of the future expected cash flows.

Revenue and profit contribution

Horizon Radiology has contributed revenues of $5,434,427 and net profit of $472,596 to the Group for the period from 1 July 2022 to 31 December 2022.

15. Leases

Reconciliation of movements for the period:

	31 Dec 2022 $'000
Lease liabilities recognised at 1 July 2022	117,939
Lease liabilities assumed on acquisition	20,670
Remeasurement of liability for CPI adjustments	1,395
Early termination of leases	(3,377)
New leases entered during the period	8,645
Repayment of lease liabilities, net of interest	(7,089)
FX movements	644
Lease liabilities recognised at 31 December 2022	138,827
Representing:	
Current lease liabilities	13,644
Non-current lease liabilities	125,183
Total lease liabilities recognised at 31 December 2022	138,827

16. Fair value measurement

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

Contingent consideration

The contingent consideration provision for the Earn out A liability for the Imaging Queensland Group has been adjusted from $12.4m to $2.2m based on the valuation provided by an Independent Expert, sought as part of the dispute resolution process provided for in the Share Sale Contract, as disclosed in Note 20 of the Group's Consolidated Financial Statements for the year ended 30 June 2022. The Group has made efforts to settle the $2.2m liability for Earn out A, based on the valuation provided by the independent expert, however the vendors have declined settlement, and the matter remains in dispute at the date of this report. The provision for Earn out B liability remains unchanged at $5.5m.

The contingent consideration provision relating to the earn out liability for the X-Ray Group has been adjusted from $6.5m to $1.6m based on the Group's estimation of the likelihood of the achievement of the relevant EBITDA performance hurdles.

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

Consolidated	31 Dec 2022 $'000
Carrying amount at 1 July 2022	24,612
Recognised on business combination	7,386
Adjustments taken through profit or loss	(14,356)
Foreign exchange differences	(89)
Amounts paid during the financial period	-
Balance at 31 December 2022	17,553

17. Events after the reporting period

A fully franked interim dividend of 2.5 cents per share was declared on 17 February 2023.

DIRECTORS' DECLARATION

In the directors' opinion:

- The attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Helen Kurincic
Independent Non-Executive Chair

Dr Ian Kadish
Managing Director and Chief Executive Officer

17 February 2023
Melbourne

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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Integral Diagnostics Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Responsibilities of the directors for the half-year financial report

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

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

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

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and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Niamh Hussey
Partner

Melbourne
17 February 2023

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