IMEXHS Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	IMEXHS Limited
ABN:	60 096 687 839
Reporting period:	For the half-year ended 30 June 2023
Previous period:	For the half-year ended 30 June 2022

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	7.0%	to	8,803,969
Loss from ordinary activities after tax attributable to the owners of IMEXHS Limited	up	31.4%	to	(2,292,043)
Loss for the half-year attributable to the owners of IMEXHS Limited	up	31.4%	to	(2,292,043)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Group after providing for income tax amounted to $2,292,043 (30 June 2022: $1,744,063).

Refer to 'Review of operations' in the Directors' report for further commentary on the results for the half-year ended 30 June 2023.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	20.25	19.07

The net tangible assets per ordinary security presented above excludes right-of-use assets and lease liabilities.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

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8. Details of associates, joint venture entities and joint operations

Not applicable.

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9. Audit qualification or review

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

The financial statements have been reviewed and an unmodified opinion has been issued.

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10. Attachments

Details of attachments (if any):

The Interim Report of IMEXHS Limited for the half-year ended 30 June 2023 is attached.

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11. Signed

As authorised by the Board of Directors

Signed ______________________________ Date: 31 August 2023

Douglas Flynn
Chairman

IMEXHS Limited

ABN 60 096 687 839

Interim Report - 30 June 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of IMEXHS 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 30 June 2023.

Directors

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

Mr Douglas Flynn	Non-Executive Chairman
Dr German Arango	Chief Executive Officer
Dr Douglas Lingard	Non-Executive Director
Mr Carlos Palacio	Non-Executive Director
Mr Damian Banks	Non-Executive Director

Principal activities

The Group operates two businesses - medical imaging software and radiology services, as described below:

- The medical imaging software business is focused on the development and sale of modular cloud based imaging systems that include information systems for Radiology, Pathology and other 'ologies'. The main component of this is a modern and robust Picture Archiving and Communications System (PACS), with a very efficient web viewer. The information systems combine a workflow management system (RIS) with a patient data and image distribution system (Patient Portal), and the PACS allows a healthcare organisation to capture, store, view and share radiology images.
- The radiology services business provides radiological diagnostic services to hospitals and medical facilities in Colombia and Spain using IMEXHS medical imaging software.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations

Financial performance

For the half-year ended 30 June 2023 ('1H FY23'), the loss for the Group after providing for income tax was $2,292,043 (30 June 2022 ('1H FY22'): $1,744,063)).

The Colombian Peso (COP) strengthened significantly against both the USD and AUD in the first half of 2023, and as at 30 June 2023 was trading marginally stronger against the AUD compared with 30 June 2022. While the company cannot control exchange rates there is a policy to price software in USD wherever possible and for H1 that represented 41% of total software revenue.

Revenue

The Group reported revenue from operating activities in the period of $8,803,969 (1H FY22: $9,461,648), down 7.0% versus previous corresponding period ('pcp') and 2% lower on a constant currency[1] basis. Recurring revenue contracts accounted for 97% of revenue.

The software and radiology services split of Revenue is $3.5m and $5.3m respectively versus $2.8m and $6.7m in 1H FY22 (software up 25%, radiology down 21%).

[1]Constant currency basis assumes FY23 results are converted at the average foreign exchange rate for FY22. This removes the impact of changes in currency rates and allows comparison of IMEXHS's underlying operating performance.

Annualised Recurring Revenue

ARR of $24.4m at 30 June 2023 was up 19% vs pcp and up 15% on a constant currency basis. ARR of $24.4m consisted of $14.0m ($10.5m as at 31 Dec-22) from Radiology services and $10.4m ($9.2m as at 31 Dec-22) from Software.

EBITDA

The Group's EBITDA was a loss of $1.0m after impairment of goodwill of $1.3m (1H FY22: EBITDA loss of $0.5m). Underlying EBITDA was a profit of $0.5m versus an EBITDA loss of $0.4m in 1H FY22 and excludes the impairment of goodwill, foreign exchange, share based payments expense and one-off costs in relation to the cost-out program (FY22). The $0.9m improvement confirms the direction the Group has taken to achieve positive underlying EBITDA in 2023.

An impairment charge of $1.3m has been taken at 30 June 2023 in respect of goodwill for the acquisition of RIMAB. This is a non-cash charge and the Board remains highly confident of the future for its radiology business.

Earnings before interest, taxation, depreciation and amortisation ('EBITDA') and underlying EBITDA are financial measures which are not prescribed by Australian Accounting Standards. Underlying EBITDA represents the Group's underlying and recurring earnings from its operations and is determined by adjusting the statutory net profit after tax for items that are non-cash or non-operating in nature. The directors consider EBITDA and underlying EBITDA to represent the core earnings of the Group. The table below provides a reconciliation between net profit before tax, EBITDA and underlying EBITDA.

	1H FY23 $'000	1H FY22 $'000	Variance	Variance %
Recurring revenue contracts	8,804	9,462	(658)	(7%)
Other revenue	76	133	(57)	(43%)
Total revenue	**8,880**	**9,595**	(715)	(7%)
Total expenses	(11,076)	(11,244)	168	(1%)
Net profit before tax	**(2,196)**	**(1,649)**	(547)	33%
Depreciation and amortisation	1,045	922	123	13%
Net finance expenses	108	181	(73)	(40%)
EBITDA	**(1,043)**	**(546)**	(497)	91%
Foreign exchange & share based payment expenses	269	166	103	62%
Impairment of goodwill	1,277	-	1,277	-
Underlying EBITDA	**503**	**(380)**	883	(232%)

The following table provides a summary of key balances from the Group's Statement of Financial Position at 30 June 2023:

	30 Jun 2023 $'000	31 Dec 2022 $'000	30 Jun 2022 $'000
Cash	1,966	1,912	856
Trade and other receivables	7,467	6,503	7,286
Inventories	112	97	78
Current assets	9,545	8,512	8,220
Non-current assets	13,378	12,476	14,868
Total assets	**22,923**	**20,988**	**23,088**
Trade and other payables	3,340	2,476	3,401
Other current liabilities	2,223	2,003	2,963
Current liabilities	5,563	4,479	6,364
Non-current liabilities	653	608	1,302
Total liabilities	**6,216**	**5,087**	**7,666**
Net assets	**16,707**	**15,901**	**15,422**

Highlights for the Half Year

Business Highlights
During the half-year, the Group won a number of new material customers, invested in increased working capital, has reduced debt and improved margins.

Our strategy of narrowing geographic focus and software development ambit is working in terms of reducing costs, improving speed to market of product development, increasing sales cadence and reducing business distraction.

The company has completed a strategic product review and is in the process of a significant upgrade of our value proposition for the software vertical, supported on four key pillars, functionalities, service, deployment times and security. The cost to do so will be modest and we would expect to rollout the changes over the next three to eighteen months and advise the market accordingly.

Our high touch and customized enterprise solution, IMEXHS Enterprise, is the main source of our existing software revenues and under the new value proposition, we are expecting to drive growth.

IMEXHS Cloud, the Company's standardised cloud-based radiology solution targeted at small and medium- sized customers, continued to strengthen its global footprint throughout 1H FY23. IMEXHS Cloud continued to generate new sales and ongoing interest among larger medical institutions because of its comprehensive and affordable cloud solution.

The pipeline of volume increase from current customers remains strong. There is a high priority to implement 'contracts not yet billing' and have them contribute as soon as possible.

However, the Company has experienced, from too many small customers, a significant lack of readiness to allow us to implement the software in a timely manner. The reasons are varied but partially a consequence of our channel partner approach. As such a more disciplined approach has been instituted including implementation charges, minimum revenue/volume guarantee, extensive pre-order checklist of client's preparedness and size and nature of the client. As we move to a formal Ideal Client Profile, we may move to cull older orders yet to be implemented and those that fall outside our Ideal Client Profile.

A major business model in LATAM for radiology services is the outsourcing of imaging facilities. It represents a very attractive offer for hospitals throughout the LATAM region and allows the IMEXHS team an opportunity to deliver a high-quality service through the integration of technology and highly trained Radiologists.

During the half year, the Company's radiology services division won its first contract with Famisanar. The deal is expected to contribute $1.1m in ARR. The Company began operations and billing in February 2023. Famisanar is Colombia's 5th largest insurance provider which currently caters to over 2.4m patients across 16 departments in Colombia.

In April the radiology services division won its first contract with Grupo Avidanti, a wholly owned subsidiary of the Brazilian asset manager, Patria Investments. The Company will provide radiology outsourcing services to Grupo Avidanti's newest hospital in Soacha, Bogota. The first-year contract is for an estimated $750,000 and once the hospital is in full operation the contract is expected to contribute $1.0m in ARR. The Company began operations and billing in April 2023.

In June the radiology services division also won its second contract with Famisanar. The deal is expected to contribute between $350,000 and $600,000 ARR. The Company began operations and billing in July 2023.

Post the end of H1 FY23, the company announced it had signed a 5-year Software as a Service (SaaS) contract with a TCV of A$2.1m with Grupo Avidanti - Zentria in Colombia, for one group of their hospitals. The first contract, priced in USD, is expected to contribute circa A$430,000 in Annual Recurring Revenue (ARR). Negotiations are underway for a further Group of six hospitals which would be expected to contribute a further A$360,000 in ARR.

The Group has demonstrated again in H1 FY23 the scalability of the business with an attractive product and disruptive business model and now is focused on implementation of major projects and delivering positive numbers in the second half.

FY23 Outlook
The company has a strong and growing pipeline. FY23 revenue is expected to be between $19.0m to $20.5m (vs $17.1m in FY22). This implies:
- 2H FY23 expected Revenue growth of 16% - 33% versus 1H FY23; and
- 2H FY23 expected Revenue growth of 33% - 53% versus 2H FY22.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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 immediately after this directors' report.

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

Douglas Flynn
Chairman

31 August 2023

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The Board of Directors
IMEXHS Limited
122 O'Riordan Street
MASCOT NSW 2020

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead auditor for the review of the condensed consolidated financial statements of IMEXHS Limited for the half-year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there has been no contravention of:

a) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Yours faithfully,

Nexia Sydney Audit Pty Limited

Tracey Driver
Director

Dated: 31 August 2023

	Note	Consolidated 6 months to 30 Jun 2023 $	Consolidated 6 months to 30 Jun 2022 $
Revenue	4	8,803,969	9,461,648
Other income		57,350	113,785
Interest revenue calculated using the effective interest method		18,427	19,238
Expenses			
Hardware and licence expenses		(237,511)	(267,046)
Research and development and support expenses		(649,413)	(854,337)
Platform as a service expense		(151,676)	(216,728)
Clinical services expenses		(4,457,684)	(5,094,339)
Administration and sales expenses	5	(2,692,478)	(3,460,512)
Share-based payments expenses	5	(264,641)	(133,076)
Depreciation and amortisation expense		(1,044,682)	(922,209)
Impairment of goodwill	9	(1,276,940)	-
Net expected credit losses		(116,155)	(2,148)
Net foreign exchange losses		(4,631)	(32,818)
Other expenses		(54,172)	(61,234)
Finance costs	5	(126,260)	(199,986)
Loss before income tax expense		(2,196,497)	(1,649,762)
Income tax expense		(95,546)	(94,301)
Loss after income tax expense for the half-year attributable to the owners of IMEXHS Limited		(2,292,043)	(1,744,063)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		2,736,345	380,560
Other comprehensive income for the half-year, net of tax		2,736,345	380,560
Total comprehensive loss for the half-year attributable to the owners of IMEXHS Limited		444,302	(1,363,503)
		Cents	Cents
Basic earnings per share	19	(5.55)	(5.31)
Diluted earnings per share	19	(5.55)	(5.31)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

IMEXHS Limited
Consolidated statement of financial position
As at 30 June 2023

	Note	Consolidated 30 Jun 2023 $	Consolidated 31 Dec 2022 $
Assets			
Current assets			
Cash and cash equivalents		1,966,376	1,911,910
Trade and other receivables	6	6,116,705	5,369,451
Contract assets		1,093,902	850,780
Inventories		111,638	96,825
Prepayments		256,453	282,445
Total current assets		9,545,074	8,511,411
Non-current assets			
Trade receivables		610,546	628,325
Property, plant and equipment	7	4,387,611	3,700,422
Right-of-use assets	8	62,968	29,162
Intangibles	9	8,316,942	8,118,327
Total non-current assets		13,378,067	12,476,236
Total assets		22,923,141	20,987,647
Liabilities			
Current liabilities			
Trade and other payables	10	3,340,210	2,475,980
Contract liabilities		14,787	14,276
Borrowings	11	327,026	545,161
Lease liabilities		62,967	29,161
Income tax		40,749	23,974
Employee benefits		1,749,422	1,366,855
Contingent consideration		28,399	23,924
Total current liabilities		5,563,560	4,479,331
Non-current liabilities			
Borrowings	12	576,010	542,785
Deferred tax		77,082	64,935
Total non-current liabilities		653,092	607,720
Total liabilities		6,216,652	5,087,051
Net assets		16,706,489	15,900,596
Equity			
Issued capital	13	38,573,949	38,476,999
Reserves	14	3,677,063	676,077
Accumulated losses		(25,544,523)	(23,252,480)
Total equity		16,706,489	15,900,596

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

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2022	34,765,453	2,101,133	(20,213,827)	16,652,759
Loss after income tax expense for the half-year	-	-	(1,744,063)	(1,744,063)
Other comprehensive income for the half-year, net of tax	-	380,560	-	380,560
Total comprehensive loss for the half-year	-	380,560	(1,744,063)	(1,363,503)
Transactions with owners in their capacity as owners:				
Share-based payments (note 5)	-	133,076	-	133,076
Balance at 30 June 2022	34,765,453	2,614,769	(21,957,890)	15,422,332

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2023	38,476,999	676,077	(23,252,480)	15,900,596
Loss after income tax expense for the half-year	-	-	(2,292,043)	(2,292,043)
Other comprehensive income for the half-year, net of tax	-	2,736,345	-	2,736,345
Total comprehensive loss for the half-year	-	2,736,345	(2,292,043)	444,302
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 13)	96,950	-	-	96,950
Share-based payments (note 5)	-	264,641	-	264,641
Balance at 30 June 2023	38,573,949	3,677,063	(25,544,523)	16,706,489

	Note	Consolidated 6 months to 30 Jun 2023 $	Consolidated 6 months to 30 Jun 2022 $
Cash flows from operating activities			
Loss before income tax expense for the half-year		(2,196,497)	(1,649,762)
Adjustments for:			
Depreciation and amortisation		1,044,681	922,209
Non cash director fees		99,450	-
Impairment of goodwill		1,276,940	-
Share-based payments		264,642	133,076
Foreign exchange differences		702,298	(36,200)
Net expected credit losses		(116,154)	2,148
Interest received		(18,427)	(19,238)
Interest and other finance costs		126,259	199,986
		1,183,192	(447,781)
Change in operating assets and liabilities:			
Increase in trade and other receivables		(833,542)	(548,693)
Decrease/(increase) in inventories		(14,813)	6,768
Increase/(decrease) in trade and other payables		864,229	(21,165)
Increase/(decrease) in contract liabilities		511	(20,783)
Increase in employee benefits		382,567	154,952
		1,582,144	(876,702)
Interest received		18,427	19,238
Interest paid		(124,271)	(199,986)
Income taxes paid		(66,625)	(278,865)
Net cash from/(used in) operating activities		1,409,675	(1,336,315)
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired		-	(200,212)
Payments for property, plant and equipment	7	(547,429)	(456,790)
Payments for intangibles	9	(482,920)	(890,327)
Proceeds from disposal of property, plant and equipment		4,085	3,006
Net cash used in investing activities		(1,026,264)	(1,544,323)
Cash flows from financing activities			
Repayment of borrowings		(345,430)	(446,577)
Share issue transaction costs		(2,500)	-
Repayment of lease liabilities		(34,892)	(38,104)
Net cash used in financing activities		(382,822)	(484,681)
Net increase/(decrease) in cash and cash equivalents		589	(3,365,319)
Cash and cash equivalents at the beginning of the financial half-year		1,911,910	4,186,428
Effects of exchange rate changes on cash and cash equivalents		53,877	34,956
Cash and cash equivalents at the end of the financial half-year		1,966,376	856,065

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

Note 1. General information

The financial statements cover IMEXHS Limited as a Group consisting of IMEXHS Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is IMEXHS Limited's functional and presentation currency.

IMEXHS Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

122 O'Riordan Street
Mascot NSW 2020

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 31 August 2023.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 30 June 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 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 accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

Going concern

The Group has prepared the financial statements for the half-year ended 30 June 2023 on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the half-year ended 30 June 2023, the Group generated a consolidated loss of $2,292,043 (30 June 2022: loss of $1,744,063) and generated operating cash inflows of $1,409,675 (30 June 2022: outflows of $1,336,315). As at 30 June 2023, the Group had cash and cash equivalents of $1,966,376 (31 December 2022: $1,911,910), a surplus of net current assets of $3,981,514 (31 December 2022: $4,032,080) and surplus net assets of $16,706,489 (31 December 2022: $15,900,596).

The Group's ability to continue as a going concern is dependent upon the sufficiency of current cash reserves to meet existing obligations. The directors believe current cash reserves are sufficient for the group to be able to pay its debts as and when they fall due for a period of at least 12 months from the date of these financial statements.

The Directors believe that the Group has sufficient funding to meet its minimum expenditure commitments and support its planned level of expenditures and therefore it is appropriate to prepare the financial statements on the going concern basis.

Note 3. Operating segments

Identification of reportable operating segments
The Group is organised into two operating segments based on differences in products and services provided: Software and Radiology Services. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Other segments represent the Group's corporate headquarters.

The CODM reviews Underlying EBITDA (earnings before interest, tax, depreciation and amortisation). Underlying EBITDA represents the Group's underlying and recurring earnings from its operations and is determined by adjusting the statutory net profit after tax for items that are non-cash or non-operating in nature. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services
The principal products and services of each of these operating segments are as follows:

Software	The software business is focussed on the development and sale of modular imaging systems that include information systems for Radiology (AQUILA), Cardiology (ANTEROS) and Pathology (ALULA), as well as a Picture Archiving and Communications System (PACS). The information systems combine a workflow management system with a patient data and image distribution system, and the PACS allows a healthcare organisation to capture, store, view and share radiology images.
Radiology	The radiology services business provides radiological diagnostic services to hospitals and medical facilities in Colombia and Spain using IMEXHS medical imaging software. The services business also provides the Group with medical images and radiologists interpretation and reports to develop artificial intelligence (AI) tools.

Intersegment transactions
There were no intersegment transactions made during the half-year ended 30 June 2023 (half-year ended 30 June 2022: $nil).

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Geographical information
Refer to note 4 for geographical information.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 6 months to 30 Jun 2023	Software $	Radiology $	Corporate $	Total $
Revenue				
Sales to external customers	3,493,439	5,310,530	-	8,803,969
Total sales revenue	3,493,439	5,310,530	-	8,803,969
Total revenue	3,493,439	5,310,530	-	8,803,969
Underlying EBITDA	1,324,322	218,712	(1,040,804)	502,230
Depreciation and amortisation	(890,188)	(122,772)	(31,722)	(1,044,682)
Impairment of goodwill	-	(1,276,940)	-	(1,276,940)
Finance costs	(12,144)	(114,112)	(4)	(126,260)
Interest revenue	14,857	94	3,476	18,427
Foreign exchange & share based payment expenses	-	-	(269,272)	(269,272)
(Loss)/profit before income tax expense	436,847	(1,295,018)	(1,338,326)	(2,196,497)
Income tax expense				(95,546)
Loss after income tax expense				(2,292,043)

All assets and liabilities, including taxes are not allocated to the operating segments as the CODM reviews and manages on an overall group basis.

Following the acquisition of RIMAB SAS on 1 October 2021, the Group has changed its structure of its internal organisation in a manner that has caused its reportable segments to change. The information for the 6 months' period to 30 June 2022 cannot be restated as the information is not available and has been reported to the Board during this period as a single segment only.

Note 4. Revenue

	Consolidated	
	6 months to 30 Jun 2023 $	6 months to 30 Jun 2022 $
Medical equipment and licences	109,273	82,198
Leasing equipment and software and services	8,417,583	9,150,875
Sale of inputs	22,153	29,922
Service and maintenance of equipment and software	254,960	198,653
Revenue	8,803,969	9,461,648

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	6 months to 30 Jun 2023 $	6 months to 30 Jun 2022 $
Timing of revenue recognition		
Goods transferred at a point in time	138,564	100,793
Services transferred over time	8,665,405	9,360,855
	8,803,969	9,461,648

The majority of the Group's revenue is derived from one geographic region, Latin America.

Note 5. Expenses

	Consolidated	
	6 months to 30 Jun 2023 $	6 months to 30 Jun 2022 $
Loss before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable on borrowings	124,272	197,900
Interest and finance charges paid/payable on lease liabilities	1,988	2,086
	126,260	199,986
Administration expenses		
Employee and Director benefits expense	1,541,734	1,966,844
Professional and consultancy fees	331,500	186,410
Taxes	134,366	180,757
Office expenses	291,330	269,455
Insurance	95,981	88,708
Advertising and marketing	58,744	118,033
Corporate expenses	148,017	153,489
Maintenance	1,945	7,633
Travel expenses	83,989	94,758
Other	4,872	394,425
	2,692,478	3,460,512
Leases		
Short-term lease payments	109,689	89,292
Employee and Director benefits expense		
Included in administration expenses:		
Employee benefits expense excluding superannuation and share-based payments	1,427,012	1,828,444
Defined contribution superannuation expense	114,722	138,440
	1,541,734	1,966,884
Included in research and development and support expenses and clinical services expenses:		
Employee benefits expense excluding superannuation and share-based payments	2,415,187	3,199,604
Defined contribution superannuation expense	238,459	235,171
	2,653,646	3,434,775
Share-based payments expense		
Share-based payments expense on issue of Director options	117,232	20,070
Share-based payments expense on issue of Employee options	147,409	113,005
	264,641	133,075
Total Employee and Director benefits expense	4,460,021	5,534,734

Note 6. Current assets - trade and other receivables

	Consolidated 30 Jun 2023 $	Consolidated 31 Dec 2022 $
Trade receivables	5,300,976	4,489,132
Less: Allowance for expected credit losses	(207,455)	(94,119)
	5,093,521	4,395,013
Other receivables	4,335	3,516
Indirect taxes receivable	1,018,849	970,922
	6,116,705	5,369,451

Note 7. Non-current assets - property, plant and equipment

	Consolidated 30 Jun 2023 $	Consolidated 31 Dec 2022 $
Leasehold improvements - at cost	202,285	172,780
Less: Accumulated depreciation	(97,150)	(56,150)
	105,135	116,630
Furniture and fittings - at cost	34,546	29,276
Less: Accumulated depreciation	(21,903)	(13,241)
	12,643	16,035
Motor vehicles - at cost	1,968	1,658
Less: Accumulated depreciation	(428)	(277)
	1,540	1,381
Computer equipment - at cost	1,727,478	1,505,988
Less: Accumulated depreciation	(1,244,648)	(1,011,534)
	482,830	494,454
Medical equipment - at cost	5,705,005	4,431,710
Less: Accumulated depreciation	(1,919,542)	(1,359,788)
	3,785,463	3,071,922
	4,387,611	3,700,422

Reconciliations

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

Consolidated	Leasehold improvements $	Furniture and fittings $	Motor vehicles $	Computer equipment $	Medical equipment $	Total $
Balance at 1 January 2023	116,630	16,035	1,381	494,454	3,071,922	3,700,422
Additions	-	-	-	79,339	468,090	547,429
Disposals	(1,407)	-	-	(2,678)	-	(4,085)
Exchange differences	18,757	2,413	249	73,781	545,383	640,583
Depreciation expense	(28,845)	(5,805)	(90)	(162,066)	(299,932)	(496,738)
Balance at 30 June 2023	105,135	12,643	1,540	482,830	3,785,463	4,387,611

Note 8. Non-current assets - right-of-use assets

	Consolidated 30 Jun 2023 $	Consolidated 31 Dec 2022 $
Land and buildings - right-of-use	87,282	80,516
Less: Accumulated depreciation	(24,314)	(51,354)
	62,968	29,162

The Group leases land and buildings for its offices under agreements of between 1 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

The Group leases office equipment under agreements of less than 1 year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

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

Consolidated	Land and buildings $
Balance at 1 January 2023	29,162
Additions	72,170
Disposals	(10,224)
Exchange differences	4,756
Depreciation expense	(32,896)
Balance at 30 June 2023	62,968

Additions during the period relate to the renewal of the Head Office lease in Bogota, Colombia.

Note 9. Non-current assets - intangibles

	Consolidated 30 Jun 2023 $	Consolidated 31 Dec 2022 $
Goodwill - at cost	5,765,522	4,856,982
Less: Impairment	(1,276,940)	-
	4,488,582	4,856,982
Internally developed software - at cost	3,863,743	2,969,140
Less: Accumulated amortisation	(1,089,240)	(602,704)
	2,774,503	2,366,436
Customer contracts - at cost	1,007,229	848,508
Less: Accumulated amortisation	(117,510)	(70,709)
	889,719	777,799
Copyright - at cost	-	19,394
Less: Accumulated amortisation	-	(19,388)
	-	6
Licenses - at cost	471,032	463,258
Less: Accumulated amortisation	(306,894)	(346,154)
	164,138	117,104
	8,316,942	8,118,327

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

Consolidated	Goodwill $	Internally developed software $	Customer contracts $	Copyright $	Licences $	Total $
Balance at 1 January 2023	4,856,982	2,366,436	777,799	6	117,104	8,118,327
Additions	-	286,483	-	-	196,437	482,920
Exchange differences	908,540	440,199	142,467	(6)	16,469	1,507,669
Impairment during the half-year	(1,276,940)	-	-	-	-	(1,276,940)
Amortisation expense	-	(318,615)	(30,547)	-	(165,872)	(515,034)
Balance at 30 June 2023	4,488,582	2,774,503	889,719	-	164,138	8,316,942

Impairment testing
In accordance with the Group's accounting policies, indefinite life assets are allocated to CGUs in order to determine the recoverable amount for the annual impairment test.

As described in note 3, the Group has two main CGUs being the radiology and software CGUs.

Goodwill and customer contracts acquired through business combinations have been allocated to the radiology cash generating unit ('CGU'). The radiology services business provides radiological diagnostic services to hospitals and medical facilities in Colombia and Spain using IMEXHS medical imaging software. The services business also provides the Group with medical images and radiologists interpretation and reports to develop artificial intelligence ('AI') tools.

Note 9. Non-current assets - intangibles (continued)

Internally developed software has been allocated to the software CGU. The software business is focussed on the development and sale of modular imaging systems that include information systems for Radiology (AQUILA), Cardiology (ANTEROS) and Pathology (ALULA), as well as a Picture Archiving and Communications System (PACS). The information systems combine a workflow management system with a patient data and image distribution system, and the PACS allows a healthcare organisation to capture, store, view and share radiology images.

Both CGUs are tested annually for impairment or at the end of each reporting date where an indicator of impairment exists. At 30 June 2023, the recoverable amount of the CGUs have been assessed. An impairment exists when the carrying value of the CGUS exceeds their recoverable amount.

An assessment of indicators and subsequent testing of impairment was completed as at period end which resulted in an impairment loss of $1,276,940 being recognised during the half-year ended 30 June 2023.

The testing assessed the recoverable amount of IMEXHS CGU's assets by a value-in-use ('VIU') calculation using a discounted cash flow model, based on a 5 year projection period approved by management.

The impairment loss resulted principally from reduced revenue over the 5 year projection period as a result of the company choosing to exit a poor paying customer on 1 July 2022.

Key assumptions and impairment testing results
Key assumptions are those to which the recoverable amount of an asset or the CGU is most sensitive. The following key assumptions were used in the VIU model to test each CGU at 30 June 2023:

Assumptions	How determined	Rate used in the VIU calculation
Discount rate (pre-tax)	Based on weighted average cost of capital reflecting current market assessments of the time value of money and risks specific to the CGU.	26.62%
Sales volume growth rate	Based on a five year cash flow projection taking into account historical growth rates and product lifecycle.	9-31%
Terminal value growth rate	Based on long-term economic growth rates.	Nil

The discount rate was estimated based on the CGU's weighted average cost of capital, which was calculated by a third party independent valuation expert.

The sales volume revenue growth rate reflects forecast conservative growth rates over a 5 year period after consideration for changing market conditions.

Based on the above, an impairment charge of $1,276,940 has been applied as the carrying amount of IMEXHS' CGU exceeded its recoverable amount.

Sensitivity analysis
Management believes that the assumptions disclosed above over the five-year forecast period are realistic and achievable and as such Management believes that the carrying amount is fairly stated.

The calculation of value in use is most sensitive to the following assumptions:
(a) Discount rate: the post-tax discount rate in the model is 17.30% (a 2% increase in the discount rate with all other factors remaining consistent in the model increases the impairment by $1,176,816).
(b) Sales growth rate: the projected growth rate for recurring revenue in the model is an average of 17%. (a 2% decrease in the growth rate per year with all other factors remaining consistent in the model increases the impairment by $1,441,505).

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment charge of goodwill.

Note 10. Current liabilities - trade and other payables

	Consolidated 30 Jun 2023 $	Consolidated 31 Dec 2022 $
Trade payables	2,345,788	2,026,604
Withholding tax payable	921,060	395,478
Other payables	73,362	53,898
	3,340,210	2,475,980

Note 11. Current liabilities - borrowings

	Consolidated 30 Jun 2023 $	Consolidated 31 Dec 2022 $
Credit cards	12,835	10,970
Unsecured fixed term loans	308,287	529,217
PaaS equipment financing loan*	5,904	4,974
	327,026	545,161

* Relates to various loans provided to the Company for PaaS contracts where the equipment is repaid at a 200% rate of return on their loan which is paid in monthly instalments over the initial term of the PaaS contract.

Refer to note 12 for further information on financing arrangements.

Note 12. Non-current liabilities - borrowings

	Consolidated 30 Jun 2023 $	Consolidated 31 Dec 2022 $
Unsecured fixed term loans	576,010	542,785

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

	Consolidated 30 Jun 2023 $	Consolidated 31 Dec 2022 $
Total facilities		
Unsecured fixed term loans	884,298	1,072,002
Used at the reporting date		
Unsecured fixed term loans	884,298	1,072,002
Unused at the reporting date		
Unsecured fixed term loans	-	-

Note 13. Equity - issued capital

	Consolidated			
	30 Jun 2023 Shares	31 Dec 2022 Shares	30 Jun 2023 $	31 Dec 2022 $
Ordinary shares - fully paid	41,434,030	41,257,901	38,573,949	38,476,999

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 January 2023	41,257,901		38,476,999
Issue of shares in lieu of Director fees	21 February 2023	57,895	$0.859	49,725
Issue of shares in lieu of Director fees	10 May 2023	118,234	$0.421	49,725
Share issue transaction costs, net of tax		-	$0.000	(2,500)
Balance	30 June 2023	41,434,030		38,573,949

Note 14. Equity - reserves

	Consolidated	
	30 Jun 2023 $	31 Dec 2022 $
Foreign currency reserve	(550,420)	(3,286,765)
Share-based payments reserve	4,197,043	3,932,402
Options reserve	30,440	30,440
	3,677,063	676,077

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Options reserve
The reserve is used to record amounts received from option holders from the issue of options.

Movements in reserves
Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Foreign currency reserve $	Share-based payments reserve $	Options reserve $	Total $
Balance at 1 January 2023	(3,286,765)	3,932,402	30,440	676,077
Foreign currency translation	2,736,345	-	-	2,736,345
Share-based payments	-	264,641	-	264,641
Balance at 30 June 2023	(550,420)	4,197,043	30,440	3,677,063

Note 15. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 16. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 30 Jun 2023	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Contingent consideration	-	-	28,399	28,399
Total liabilities	-	-	28,399	28,399

Consolidated - 31 Dec 2022	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Contingent consideration	-	-	23,924	23,924
Total liabilities	-	-	23,924	23,924

There were no transfers between levels during the financial half-year.

For all assets and liabilities net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments of which the entity has no holdings in. Financial assets where the carrying amount exceeds net fair values have not been written down as the Group intends to hold these assets to maturity. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Contingent consideration has been valued using a discounted cash flow model.

Level 3 assets and liabilities
Movements in level 3 assets and liabilities during the current financial half-year are set out below:

Consolidated	Contingent consideration $
Balance at 1 January 2023	23,924
Paid	-
Foreign exchange differences	4,475
Balance at 30 June 2023	28,399

Note 16. Fair value measurement (continued)

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range of probabilities	Sensitivity
Contingent consideration	Probability of achieving revenue targets	to satisfy/not to satisfy	If the specified revenue targets are achieved 100% of the contingent consideration is payable/if revenue targets are not achieved no contingent consideration is payable

Note 17. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2023 (31 December 2022: none)

Note 18. Related party transactions

Parent entity
IMEXHS Limited is the parent entity.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	6 months to 30 Jun 2023 $	6 months to 30 Jun 2022 $
Sale of goods and services:		
Sale of goods to key management personnel*	-	641
Payment for goods and services:		
Payment for services from key management personnel*	-	7,756

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	30 Jun 2023 $	31 Dec 2022 $
Current receivables:		
Trade receivables from key management personnel	-	239
Current payables:		
Trade payables to key management personnel	-	20

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 19. Earnings per share

	Consolidated 6 months to 30 Jun 2023 $	Consolidated 6 months to 30 Jun 2022 $
Loss after income tax attributable to the owners of IMEXHS Limited	(2,292,043)	(1,744,063)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	41,333,450	32,860,889
Weighted average number of ordinary shares used in calculating diluted earnings per share	41,333,450	32,860,889
	Cents	Cents
Basic earnings per share	(5.55)	(5.31)
Diluted earnings per share	(5.55)	(5.31)

Share options on issue have been excluded from the weighted average number of ordinary shares used in calculating diluted loss per share as they are considered anti-dilutive.

Note 20. Share-based payments

Options granted to key management personnel and external parties are as follows:

30 Jun 2023

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other*	Balance at the end of the half-year
28/08/2018	28/08/2023	$1.875	1,000,001	-	-	-	1,000,001
28/08/2018	28/08/2023	$1.875	1,000,001	-	-	-	1,000,001
25/10/2018	25/10/2023	$3.500	80,000	-	-	-	80,000
10/12/2018	09/12/2023	$2.650	40,000	-	-	-	40,000
26/05/2020	12/03/2027	$2.750	160,000	-	-	-	160,000
26/05/2020	12/03/2027	$3.500	160,000	-	-	-	160,000
26/05/2020	12/03/2027	$1.500	240,000	-	-	-	240,000
04/03/2021	01/03/2031	$0.000	140,000	-	-	-	140,000
16/04/2021	16/04/2031	$0.000	115,348	-	-	(38,064)	77,284
14/05/2021	16/04/2031	$0.000	43,519	-	-	-	43,519
14/05/2021	14/05/2025	$0.000	19,719	-	-	-	19,719
19/05/2022	19/05/2026	$0.000	100,219	-	-	-	100,219
18/07/2022	19/05/2032	$0.000	73,393	-	-	-	73,393
18/07/2022	18/07/2032	$0.000	380,844	-	-	-	380,844
16/05/2023	16/05/2027	$0.000	-	198,632	-	-	198,632
16/05/2023	16/05/2033	$0.000	-	162,182	-	-	162,182
30/06/2023	25/04/2033	$0.000	-	813,576	-	-	813,576
			3,553,044	1,174,390	-	(38,064)	4,689,370

The weighted average share price during the financial half-year was $0.50.

The weighted average remaining contractual life of options outstanding at the end of the half-financial year was 1.85 years.

Note 20. Share-based payments (continued)

For the options granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
16/05/2023	16/05/2027	$0.550	$0.000	65.00%	-	3.14%	$0.550
16/05/2023	16/05/2027	$0.550	$0.000	65.00%	-	3.25%	$0.439
16/05/2023	16/05/2033	$0.550	$0.000	65.00%	-	3.10%	$0.439
30/06/2023	30/06/2033	$0.600	$0.000	65.00%	-	4.18%	$0.512
30/06/2023	30/06/2033	$0.600	$0.000	65.00%	-	4.03%	$0.510

Note 21. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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 30 June 2023 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Douglas Flynn
Chairman

31 August 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of IMEXHS Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of IMEXHS Limited and its subsidiaries ("the Group"), which comprises the consolidated Statement of Financial Position as at 30 June 2023, the consolidated Statement of Comprehensive Income, consolidated Statement of Changes in Equity and consolidated Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 the Group does not comply with the Corporations Act 2001 including:

i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half-year ended on that date; and
ii. 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*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the 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 Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and 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.

Yours faithfully,

Nexia

Nexia Sydney Audit Pty Limited

Tracey Driver
Director

Dated: 31 August 2023