

Appendix 4D

Half Yearly Report

Name of entity

ITL Health Group Limited (formerly ITL Limited)

ABN or equivalent company reference

16 088 212 088

1.0 Details of the reporting period and the previous corresponding period

Reporting Period: Half Year to 31 December 2017

Previous Corresponding Period: Half Year to 31 December 2016

2.0 Results for announcement to the market

Should be read in conjunction with most recent annual financial report

\$A'000

2.1 Revenues from continuing operations	Down	10 %	To	10,151
Revenues from ordinary activities	Down	25 %	To	13,098
2.2 Profit/(loss) after tax from continuing operations attributable to members	Down	110 %	To	(207)
Profit/(loss) after tax from ordinary activities attributable to members	Up	313 %	To	8,745
2.3 Net profit/(loss) for the period attributable to members	Up	313 %	To	8,745

2.5 Record date for determining entitlements to the interim dividend N/A

2.6 Brief explanation of any of the figures reported above necessary to enable the figures to be understood.

Refer to ASX Announcement and attached Review and Results of Operations in the Directors' Report

Appendix 4D

ITL Health Group Limited –31 December 2017 Half Yearly Report

3.0 NTA Backing	Current period 31 December 2017	Previous Period 31 December 2016
Net tangible asset backing per ordinary security	17.0 cents	10.4 cents
Net Asset Backing per ordinary security	23.9 cents	16.8 cents

4.0 Control gained or lost over entities having material effect

During the period, ITL Health Group Limited sold 100% of the shares it held in ITL Healthcare Pty Ltd to Merit Medical Systems, Inc.

5.0 Material interests in entities which are not controlled entities

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

6.0 Compliance Statement

The report has been prepared based on 31 December 2017 Half Yearly Financial Report which has been reviewed by an independent Audit Firm in accordance with the requirements of S302 of the *Corporations Act 2001*.

Attachments forming part of Appendix 4D:

1. Financial Report
2. Independent Auditor's Review Report

Signed here:



William Mobbs
Executive Chairman

Date: 21 February 2018

ITL Health Group Limited

(formerly ITL Limited)

(ABN: 16 088 212 088)

FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2017

ITL Health Group Limited

CORPORATE INFORMATION

ABN: 16 088 212 088

DIRECTORS

Mr. William Mobbs (Executive Chairman)
Mr. Andrew Turnbull (Chairman, Audit & Risk Management Committee)
Mr. Mark Peatey

EXECUTIVE CHAIRMAN

Mr. William Mobbs

COMPANY SECRETARY

Mr. Trevor Doolan

REGISTERED OFFICE and PRINCIPAL PLACE OF BUSINESS

Level 3
10 Moore Street
Canberra, ACT 2601

Tel: (02) 6145 2147

SHARE REGISTER

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

General Enquires	1300 737 760
Facsimile	1300 653 459
Website	www.boardroomlimited.com.au
Email	enquires@boardroomlimited.com.au

AUDITORS

Ernst & Young

INTERNET ADDRESS

<http://www.itlhealthgroup.com>

ITL Health Group Limited

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ITL Health Group Limited

DIRECTORS' REPORT

Your directors submit their report for the half year ended 31 December 2017.

The names of the company's directors in office during the half year ended 31 December 2017 and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Mr. William Mobbs	(Executive Chairman)
Mr. Andrew Turnbull	(Chairman, Audit & Risk Management Committee)
Mr. Mark Peatey	

COMPANY SECRETARY

Mr. Trevor Doolan

PRINCIPAL ACTIVITIES

The principal activities of ITL Health Group Limited (formerly ITL Limited) and its subsidiaries (the Group) during the half year were:

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

On 3rd October 2017, ITL Health Group Limited announced the sales of its Australian Custom Pack Business unit, part of the ITL Healthcare Pty Ltd business to Merit Medical Systems, Inc. The sale involved the transfer of 100% of the issued shares in ITL Healthcare Pty Ltd. ITL Health Group Limited will retain ownership of business units that manufacture and sell invasive blood pressure monitoring kits, Class 3 intravenous starter packs and various sponsored products retained in the ITL Australia Pty Ltd entity. The sale was signed and completed on 2nd October 2017. There were no other significant changes in the nature of the Group's principal activities during the half year.

EARNINGS PER SHARE

For the half year ended 31 December	2017 Cents	2016 Cents
Basic earnings per share	9.2	2.2
Diluted earnings per share	8.8	2.2

Earnings per Share for continuing operations

Basic earnings per share	(0.2)	2.2
Diluted earnings per share	(0.2)	2.2

ITL Health Group Limited

DIRECTORS' REPORT (continued)

REVIEW AND RESULTS OF OPERATIONS

Profit after Tax for the ITL Health Group for the half year ended 31 December 2017 was \$8.7m which was \$6.6m or 313% above the December 2016 half year profit of \$2.1m.

Group revenue was \$13.1m (2016: \$17.5m). This reduction reflects the divestment of the custom procedure pack business 2 October 2017 and a sell down of stocks by customers in the BioMed division

Loss after tax from the Continuing Operations of Biomedical and MyHealthTest for the half year ended 31 December 2017 was \$(0.2m), which was \$2.3m below the comparative December 2016 half year profit of \$2.1m.

Earnings per share from Continuing Operations for the half year ended 31 December 2017 was (0.2) cents compared with the prior corresponding period of 2.2 cents.

Income tax benefit from continuing operations was \$0.1m (2016: nil).

Loss before tax from Continuing Operations was \$(0.4m) (2016: \$2.1m).

Revenue from Continuing Operations was \$10.2m (2016: \$11.3m). Revenue from the retained products from the ITL Healthcare Pty Ltd business unit, now incorporated in the BioMedical segment, increased \$0.4m. Revenues from the traditional BioMedical products was down \$1.6m as distributors have sold down inventories

Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)* from Continuing Operations for the half year ended 31 December 2017 was \$0.2m (2016: \$2.6m). The reconciliation between Profit before tax and EBITDA is as follows:

\$'000	2017	2016
(Loss)/Profit before Income Tax	(354)	2,105
Add back/(deduct):		
Depreciation and amortisation expense	399	361
Interest Expense	127	150
Interest Income	(3)	-
EBITDA*	169	2,616

*The Directors believe that EBITDA as a non-IFRS profit measure is useful to investors as it provides further information on the company's underlying profitability.

The profit after tax from Discontinued Operation was \$0.35m (2016: \$0.01m). This included writeback of provisions for stock and make good of \$0.40m. The underlying profit from operations was \$0.05m.

The profit on the sale of the Custom Procedure Pack business after tax was \$8.6m. Profit before tax was \$9.8m including costs to sell the business.

Group Operating Cashflow for the half year ended 31 December 2017 was \$(2.3m). (2016: \$1.9m).

The net cash position of \$0.4m at 31 December 2017 has changed from the net debt position of \$2.6m at 30 June 2017 reflecting the proceeds from the sale of the business less the investments made in the continuing operations and the return to shareholders from buybacks.

Strategy and Outlook

During 2018 ITL has divested its non-core custom pack business and has delivered returns direct to shareholders through a share buy-back scheme.

Following the divestment ITL has rationalised into two distinct divisions – the BioMedical division which manufactures and sells medical apparatus and devices into blood markets globally and; MyHealthTest developing direct to consumer pathology testing solutions. ITL has increased Marketing expenditure during the year to promote the businesses and is investing in new manufacturing technologies to improve quality and automate processes. ITL is now positioned as a purely blood focused company which will result in a simplified and more focused business.

During 2018 ITL will:

- Release 6 new and improved blood focused products
- Drive new sales through increased marketing expenditure and increased, focused resources
- Launch and drive sales of new tests in MyHealthTest

ITL Health Group Limited

DIRECTORS' REPORT (continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 3rd October 2017, ITL Health Group Limited announced the sales of its Australian Custom Pack Business unit, part of the ITL Healthcare Pty Ltd business to Merit Medical Systems, Inc. The sale involved the transfer of 100% of the issued shares in ITL Healthcare Pty Ltd. ITL Health Group Limited will retain ownership of business units that manufacture and sell invasive blood pressure monitoring kits, Class 3 intravenous starter packs and various sponsored products retained in the ITL Australia Pty Ltd entity. The sale was signed and completed on 2nd October 2017.

At the Annual General Meeting of the company held on 30 November 2017, it was resolved that ITL Limited authorise and approve the buyback of up to 20% of the issued ordinary shares through an on-market buy-back. Based on the number of shares outstanding at the close of 20 October 2017 of 97,784,883 the maximum amount of the buyback over the next 12 months could be 19,556,977 shares. 12,232,543 shares have been bought back under the program in the period to 31 December 2017.

At the 30 November 2017 AGM, approval was also obtained for an additional 10% share placement capacity in addition to the 15% capacity available under Listing Rule 7.1. This facility has not been utilised during the period to 31 December 2017.

At the 30 November 2017 AGM, shareholder approved that the parent company change its name from ITL Limited to ITL Health Group Limited.

EVENTS AFTER BALANCE DATE

At the close of 20 February 2018 one ordinary share has been bought back since 31 December 2017. Issued capital at the close of business on 20 February 2018 is 85,552,339 ordinary shares.

No other significant events have occurred after the balance date and up to the date of this report that require disclosure.

ROUNDING

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

ITL Health Group Limited

DIRECTORS' REPORT (continued)

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of ITL Health Group Limited support and have adhered to the principles of corporate governance.

The company's Corporate Governance Statement is available on the company's website www.itlhealthgroup.com.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307(c) of the *Corporations Act 2001* is attached on page 12 of this report.

Signed in accordance with a resolution of the Directors.



William Mobbs (Executive Chairman)

21 February 2018

ITL Health Group Limited

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of ITL Health Group Limited,

I state that in the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity for the half year ended 31 December 2017 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2017 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



William Mobbs (Executive Chairman)

21 February 2018

AUDITORS' INDEPENDENCE DECLARATION



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Auditor's Independence Declaration to the Directors of ITL Health Group Limited

As lead auditor for the review of ITL Health Group Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of ITL Health Group Limited and the entities it controlled during the financial period.

Ernst & Young

Ashley Butler
Partner
Melbourne
21 February 2018

Independent Auditor's Review Report to the Members of ITL Health Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of ITL Health Group Limited (the Group), which comprises the interim statement of financial position as at 31 December 2017, the interim statement of comprehensive income, interim statement of changes in equity and interim 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, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to 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 consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A stylized, handwritten signature of 'Ashley Butler' in black ink.

Ashley Butler
Partner
Melbourne
21 February 2018

ITL Health Group Limited

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the half year ended 31 December

	Note	31/12/2017 \$000's	31/12/2016 \$000's
Continuing Operations			
Revenue	12	10,151	11,309
Cost of Sales		(4,760)	(4,962)
Gross Profit		5,391	6,347
Other income	12	204	722
Salaries and employee benefits expense		(3,311)	(3,224)
Depreciation and amortisation expense	2	(211)	(156)
Finance costs		(127)	(150)
Occupancy expenses		(315)	(381)
Travel and accommodation		(308)	(197)
Audit, legal & insurance		(372)	(278)
R&D expenses – 3 rd party		(146)	(107)
Sales and marketing		(551)	(252)
Communications		(77)	(78)
Regulatory		(98)	(67)
Other expenses from ordinary activities		(433)	(74)
Total Expenses		(5,949)	(4,964)
(Loss)/Profit before income tax expense		(354)	2,105
Income tax benefit/ (expense)		147	(1)
(Loss)/Profit for the half year from continuing operations		(207)	2,104
Discontinued Operations			
Total Income	3	2,961	6,196
Total Expenses	3	(2,516)	(6,183)
Profit before tax from discontinued operations		445	13
Income tax expense		(94)	-
Profit after tax from discontinued operations		351	13
Profit after tax from sale of discontinued operation	3	8,601	-
Profit for the year from discontinued operation		8,952	13
Profit for the half year		8,745	2,117
Profit attributable to members of the parent		8,745	2,117
Earnings per Share			
Basic profit per share (cents per share)		9.2 cents	2.2 cents
Diluted profit per share (cents per share)		8.8 cents	2.2 cents
Earnings per Share for continuing operations			
Basic profit per share (cents per share)		(0.2) cents	2.2 cents
Diluted profit per share (cents per share)		(0.2) cents	2.2 cents

The discontinued operations result for the period includes non-cash favourable adjustments for write back of stock and make good provisions of \$396k. The underlying operating profit is \$49k

The accompanying notes form part of these financial statements

Certain comparatives have been re-presented to conform with current year's presentation as a result of the disposal of ITL Healthcare Pty Ltd and the inclusion of the continuing operations as part of the BioMed segment.

ITL Health Group Limited

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 31 December

	Note	31/12/2017 \$000's	31/12/2016 \$000's
Profit		8,745	2,117
Other Comprehensive Income			
Items that may be reclassified subsequently to Profit or Loss			
Exchange differences on translating foreign operations		179	(382)
Income tax on items of other comprehensive income		-	-
Other comprehensive income for the half year, net of tax		179	(382)
Total comprehensive income attributable to members of the parent		8,924	1,735

The accompanying notes form part of these financial statements

ITL Health Group Limited

INTERIM CONSOLIDATED BALANCE SHEET

as at 31 December

	Note	31/12/2017 \$000's	30/06/2017 \$000's
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	4,722	2,690
Trade and other receivables		4,959	4,821
Inventories		5,093	6,186
Other current assets		636	555
TOTAL CURRENT ASSETS		15,410	14,252
NON-CURRENT ASSETS			
Property, plant and equipment		5,826	6,095
Product tooling		868	826
Intangible assets	5	5,146	4,698
Deferred tax assets		717	1,868
TOTAL NON-CURRENT ASSETS		12,557	13,487
TOTAL ASSETS		27,967	27,739
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,283	3,538
Borrowings	7	2,637	2,727
Short-term provisions		800	848
TOTAL CURRENT LIABILITIES		5,720	7,113
NON-CURRENT LIABILITIES			
Borrowings	7	1,654	2,557
Long-term provisions		131	461
TOTAL NON-CURRENT LIABILITIES		1,785	3,018
TOTAL LIABILITIES		7,505	10,131
NET ASSETS		20,462	17,608
EQUITY			
Issued capital	6	26,854	31,957
Foreign currency translation reserve		(1,392)	(1,571)
Share Based Payment Reserve		546	307
Treasury Shares		(1,206)	-
Accumulated losses		(4,340)	(13,085)
TOTAL EQUITY		20,462	17,608

The accompanying notes form part of these financial statements

ITL Health Group Limited

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December

	Issued Capital \$000's	Share Based Payment Reserve \$000's	Treasury Shares \$000's	Foreign Currency Translation Reserve \$000's	Accumulate d Losses \$000's	Total \$000's
Balance at 1 July 2017	31,957	307	-	(1,571)	(13,085)	17,608
Profit for the period	-	-	-	-	8,745	8,745
Other comprehensive income	-	-	-	179	-	179
Total comprehensive income for the year	-	-	-	179	8,745	8,924
Transactions with owners in their capacity as owners:						
Shares issued	369	-	-	-	-	369
Purchase of shares	-	-	(1,306)	-	-	(1,306)
Share buyback	(5,472)	-	-	-	-	(5,472)
Shares based payments	-	239	100	-	-	339
Balance at 31 December 2017	26,854	546	(1,206)	(1,392)	(4,340)	20,462
Balance at 1 July 2016	31,869	-	-	(1,089)	(16,514)	14,266
Profit for the period	-	-	-	-	2,117	2,117
Other comprehensive income	-	-	-	(382)	-	(382)
Total comprehensive income for the year	-	-	-	(382)	2,117	1,735
Transactions with owners in their capacity as owners:						
Share buyback	-	-	-	-	-	-
Shares issued (acquisition of MHT)	88	59	-	-	-	147
Balance at 31 December 2016	31,957	59	-	(1,471)	(14,397)	16,148

The accompanying notes form part of these financial statements

ITL Health Group Limited

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 31 December

	31/12/2017 \$000's	31/12/2016 \$000's
OPERATING ACTIVITIES		
Profit/(Loss) before Tax Continuing Operations	(354)	13
Profit/(Loss) before Tax Discontinued Operations	445	2,105
<u>Non-Cash items:</u>		
Depreciation and amortisation	399	452
Net (gain)/loss on disposal of assets	1	(2)
Unrealised (gain)/loss on foreign currency transactions	20	(16)
Share based payments	340	147
<u>Changes in assets and liabilities:</u>		
(Increase)/Decrease in Trade and other receivables	(1,853)	53
(Increase)//Decrease in Other current assets	(171)	64
(Increase)/Decrease in Inventories	(1,184)	(1,001)
(Decrease)/Increase in Trade and other Payables	(397)	51
Increase in Provisions	470	3
Income Tax (Paid)/Refund	(11)	59
Net cash flow from operating activities	(2,295)	1,928
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for product tooling and development	(72)	(166)
Payment for property, plant and equipment	(1,308)	(704)
Payment for intangible assets	(566)	(647)
Proceeds from the sale of property, plant and equipment	-	10
Proceeds from disposal of subsidiary, net of costs to dispose	13,884	-
Net cash flow (used in) investing activities	11,938	(1,507)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	(1,597)	(637)
Proceeds from borrowings	459	1,261
Share Buybacks/Purchases	(6,778)	-
Net cash flow from/(used in) financing activities	(7,916)	624
NET INCREASE IN CASH HELD	1,727	1,045
Net foreign exchange differences	6	(149)
Cash at beginning of period	4	2,554
CASH AT END OF PERIOD	4	4,287
		1,119

The accompanying notes form part of these financial statements

ITL Health Group Limited

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

1. BASIS OF PREPARATION

This general purpose condensed financial report for the half year ended 31 December 2017 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and prepared for the purpose of presenting the consolidated entity as a for-profit entity.

The financial information in this report for the half year ended 31 December 2017 was authorised for issue in accordance with a resolution of the Directors on 16 February 2018.

ITL Health Group Limited is a limited company incorporated and domiciled in Australia whose shares are publicly traded. The principal activities of the company and its subsidiaries (the Group) are described in Note 12.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this report should be read in conjunction with the Annual Report for the year ended 30 June 2017 and be considered together with any public announcements made by ITL Health Group Limited and its controlled entities during the half year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report apart from any that may be noted below.

Australian Accounting Standards and Interpretations that have recently been issued or amended since 30 June 2017 and adopted during the period have not had a material impact to the Group's future financial position, performance and disclosures.

ITL Health Group Limited

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

1. BASIS OF PREPARATION (continued)

Foreign Currency Transactions and Balances

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

	<u>31/12/2017</u>	<u>30/06/2017</u>	<u>31/12/2016</u>
Spot rate			
AUD/MYR	3.1700	3.2979	3.2268
AUD/USD	0.7805	0.7686	0.7197
Average rate for reporting period			
AUD/MYR	3.2759	3.2266	3.1495
AUD/USD	0.7788	0.7537	0.7534

The Group has not elected to early adopt any new standards or amendments.

Under AASB 134 *Interim Financial Reporting*, measurement is generally made on an annual reporting period to date basis. However, it is recognised that the interim period is part of a larger annual reporting period not an independent reporting period. Accordingly, interim period income tax expense can be accrued using the estimated average annual effective income tax rate that would be applicable to expected total annual earnings.

ITL Health Group Limited

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Note	31/12/2017 \$'000s	31/12/2016 \$'000s
2. EXPENSES – CONTINUING OPERATIONS			
Depreciation & Amortisation expense			
Depreciation of non-current assets			
Land & buildings		14	15
Furniture & Fittings		10	9
Leasehold Improvements		26	45
Motor Vehicles		2	-
Office & Computer equipment		37	30
Plant & Equipment		133	140
Product Tooling		57	45
Total Depreciation		279	284
Amortisation of non-current assets			
Computer Software		80	53
Product Design/development		10	-
Patents, trademarks & licencing		30	27
Total Amortisation		120	80
Total depreciation and amortisation		399	364
Less depreciation and amortization disclosed in cost of sales			
		(188)	(205)
Total depreciation and amortisation expense		211	156

ITL Health Group Limited

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

3. DISCONTINUED OPERATIONS

(a) Description

On 3rd October 2017, ITL Health Group Limited announced the sales of its Australian Custom Pack Business unit classified as the discontinued operation, part of the ITL Healthcare Pty Ltd business to Merit Medical Systems, Inc. The sale involved the transfer of 100% of the issued shares in ITL Healthcare Pty Ltd. ITL Health Group Limited will retain ownership of business units that manufacture and sell invasive blood pressure monitoring kits, Class 3 intravenous starter packs and various sponsored products retained in the ITL Australia Pty Ltd entity. The sale was signed and completed on 2nd October 2017. The financial impact of this discontinued operation is set out below.

(b) Financial performance

The results of discontinued operation for the period are presented below:

		31-Dec-17	31-Dec-16
	Note	\$'000s	\$'000s
Revenue		2,947	6,165
Cost of Sales		(1,968)	(4,655)
Gross Profit		979	1,510
Other Income		14	31
Expenses		(541)	(1,476)
Finance Costs		(7)	(52)
Profit before tax from discontinued operation		445	13
Income Tax expense		(94)	-
Profit after tax from discontinued operation		351	13
Profit on Sale of the discontinued operation	3 (e)	8,601	-
Profit after tax of discontinued operation		8,952	-

The discontinued operations result for the period includes non-cash favourable adjustments for write back of stock and make good provisions of \$396k. The underlying operating profit is \$49k

ITL Health Group Limited

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

3. DISCONTINUED OPERATIONS (continued)

(c) Carrying amounts of external assets and liabilities

The major classes of assets and liabilities at the date of disposal are:

	Note	2-Oct-2017 \$'000s
Assets		
Trade and other receivables		1,713
Inventories		2,174
Property, plant and equipment		1,343
Other assets		245
Total Assets		5,475
Liabilities		
Trade and other payables		451
Borrowings		516
Other liabilities		271
Total Liabilities		1,238
Net Assets		4,237

(d) Cash Flow Analysis

The net cash inflows/(outflows) incurred are as follows:

Operating activities	(225)
Investing activities	(7)
Financing activities	(863)
Net cash inflow/(outflow)	(1,095)

ITL Health Group Limited

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

3. DISCONTINUED OPERATIONS (continued)

(e) Total Consideration Received

Details of the sale of the division

	Note	2-Oct-2017 \$'000s
Cash consideration received		14,678
Less Net assets disposed	3 (c)	(4,237)
		10,441
Incremental costs of disposal		(516)
Profit before tax on sale of discontinued operation		9,925
Income tax expense		(1,324)
Profit after tax on sale of discontinued operation	3 (b)	8,601

Net cash inflow/(outflow) on disposal:

Consideration	14,678
Less consideration not yet received	(278)
Less costs of disposal	(516)
	13,884
Reflected in the consolidated statement of cash flows	

(f) Earnings per share

	2-Oct-17	31-Dec-16
Basic profit/(loss) per share (cents per share)	9.4	0.01
Diluted profit/(loss) per share (cents per share)	8.9	0.01

ITL Health Group Limited

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

4. CASH AND CASH EQUIVALENTS

	31/12/2017 \$'000s	30/06/2017 \$'000s
Cash on hand	-	1
Cash at bank	4,722	2,689
Total Cash and Cash Equivalents	4,722	2,690
Overdrafts	(435)	(136)
Cash and cash equivalent for cash flow statement	4,287	2,554

5. INTANGIBLE ASSETS

	Note	31/12/2017 \$'000s	30/06/2017 \$'000s
Business development software		1,081	947
Patents, trademarks and licenses		500	505
Development Costs		990	671
Goodwill on acquisition	12	2,575	2,575
Total Intangible Assets		5,146	4,698

The Group assessed for impairment indicators in relation to goodwill associated to the acquisition of MyHealthTest in December 2017 and concluded from this assessment that there were no indicators of impairment.

ITL Health Group Limited

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

6. ISSUED CAPITAL	<u>31/12/2017</u>	<u>30/06/2017</u>
	\$'000s	\$'000s
Ordinary shares:		
At beginning of reporting period	31,957	31,869
Share buyback	(5,472)	-
Transaction costs net of tax	-	-
Shares issued during the period (share based payments) (i)	369	88
	<u>26,854</u>	<u>31,957</u>
	No.	No.
	000s	000s
At beginning of reporting period	95,928	95,357
Share buyback	(12,233)	-
Shares issued during the period (share based payments) (i)	1,857	571
	<u>85,552</u>	<u>95,928</u>

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

- (i) The Executive Share Plan ("ESP") was approved at the 31 October 2014 Annual General Meeting for the three years period to 30 October 2017 and a further 3 years to 29 November 2020 at the 30 November 2017 Annual General Meeting. Under the ESP, and following renewed approval at the 30 November 2017 Annual General Meeting, shares including performance rights and subsequent vesting of those rights may be issued to Executives and Directors in lieu of part or all of their annual remuneration including bonuses. The issue price is determined as the lesser of the volume weighted average of ITL prices during the 12 month period preceding the issue date and the current market price. There was one share issue under the ESP during the half year. Details are as follows:

	<u>31/12/2017</u>	<u>30/06/2017</u>
23/08/2016 - issue price	-	\$0.155
- fair value	-	\$0.155
4/10/2017 - issue price	\$0.395	-
- fair value	\$0.395	-

ITL Health Group Limited

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

7. BORROWINGS

	31/12/2017 \$'000s	30/06/2017 \$'000s
Current		
Bank overdrafts	435	136
Bankers Acceptances	1,817	1,747
Bank loans	217	511
Hire Purchase	53	25
Non-bank finance	115	308
	<u>2,637</u>	<u>2,727</u>
Non-current		
Bank loans	1,333	2,312
Hire Purchase	205	95
Non-bank finance	116	150
	<u>1,654</u>	<u>2,557</u>
	<u>4,291</u>	<u>5,284</u>

ITL Australia Pty Ltd has bank guarantee of \$14,210 that has been provided to the landlord. These facilities are secured by term deposit.

ITL Asia Pacific Sdn Bhd has term loan, overdraft, bankers' acceptance and other finance facilities including a bank guarantee equivalent to \$75,709 (RM 240,000) provided to the local Malaysian power company. These facilities are secured by registered 1st to 3rd legal charges over the company's factory at Bemban in Malaysia, 1st to 9th debenture charges over both current and future fixed and floating assets of the company and parent entity corporate guarantees.

MyHealthTest Pty Ltd has provided a bank guarantee to the landlord for \$99,253 secured by term deposit.

The Group has arranged non-bank financing with a specialist IT financing institution for IT infrastructure projects.

8. GOVERNMENT GRANTS

During the period MyHealthTest signed a funding agreement with the Department of Innovation and Science for development of next generation dried blood spot pathology testing using Liquid Chromatography – Mass Spectrometry technology under the collaborative research program. Under this program the Commonwealth provides grant funds to a recipient to support the project. MyHealthTest was awarded a grant of \$2.559m with funds to be provided over a period of time as budgeted in the grant program. Funds are remitted into a separate bank account and may only be used on expenditure specific to the program. At 31/12/2017 MyHealthTest had received \$0.35m of funding which is being held as deferred income in provisions to be recognised as income over a period of time to match the costs.

ITL Health Group Limited

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

9. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

For information on bank guarantees given by ITL Health Group Limited and its controlled entities, refer to Note 7: Borrowings.

10. RELATED PARTY TRANSACTIONS

	Purchases 31/12/2017 \$'000	Purchases 31/12/2016 \$'000
Transactions – other directors' interests	311	-
Balances outstanding	-	-

Corporate and advisory services for divestment of ITL Healthcare Pty Ltd were provided by P² Advisory, a company of which Mr. Mark Peatey (non-executive director) is Managing Director. The agreement was for initial advisory services and a success fee based on enterprise value if a transaction is completed.

11. EVENTS AFTER BALANCE DATE

At the close of 20 February 2018 one ordinary share has been bought back since 31 December 2017. Issued capital at the close of business on 20 February 2018 is 85,552,339 ordinary shares.

No other significant events have occurred after the balance date and up to the date of this report that require disclosure.

ITL Health Group Limited

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

12. SEGMENT REPORTING

The Group's reportable segments are as follows:

Continuing Operations:

ITL BioMedical ("BioMed")

BioMed creates and manufactures leading edge medical devices for the blood banking and blood culture testing markets. Following the strategic divestment of the Custom Procedure Pack business (in the ITL Healthcare Pty Ltd entity), invasive blood monitoring and intravenous starter pack products have now been included in this segment to reflect a segment focused on medical devices serving the global blood markets.

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

- Management and new product development is based in Australia;
- Manufacturing and tool making is based in Malaysia. Our manufacturing facility is TUV accredited, Quality Management System is ISO 13485: 2003 certified and, the Environmental Management System is ISO 14001: 2004 certified. Products include FDA 510K and/or CE mark as necessary.
- Sales and marketing for the blood banking and blood culture testing products is based in North America where our largest customers and markets are located.
- Sales and marketing for invasive blood monitoring and intravenous starter packs is based in Australia where a range of public and private hospitals are serviced

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

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

MyHealthTest Pty Ltd ("MHT")

MHT is a Canberra based medical biotech company which provides direct to consumer pathology testing. Its mission is to help people monitor and manage their own health and wellbeing in a convenient manner. This is achieved through diagnosing and managing major chronic diseases. The initial launch related to the HbA1c test for diabetes which is the fastest growing chronic disease in most countries in the world including Australia, with tests recently released for Cholesterol, Prostate and Thyroid checks.

Corporate and other

The Corporate and other costs consist of the Board of Directors and head office costs but are not classified as a reportable segment under AASB8 *Operating Segments*.

ITL Health Group Limited

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

12. SEGMENT REPORTING (continued)

Discontinued Operations:

Healthcare Australia (“HCA”)

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

On 3rd October 2017, ITL Health Group Limited announced the sales of its Australian Custom Pack Business unit, part of the ITL Healthcare Pty Ltd business to Merit Medical Systems, Inc. The sale involved the transfer of 100% of the issued shares in ITL Healthcare Pty Ltd. ITL Health Group Limited will retain ownership of business units that manufacture and sell invasive blood pressure monitoring kits, Class 3 intravenous starter packs and various sponsored products retained in the ITL Australia Pty Ltd entity. The sale was signed and completed on 2nd October 2017.

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

The following table presents the revenue and profit information regarding business unit segments for the half years ended 31 December 2017 and 31 December 2016.

ITL Health Group Limited

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

12. SEGMENT REPORTING (continued)

Half Year ended 31 December 2017

	BioMed \$'000	MHT \$'000	Total Segments \$'000	Corporate & Other \$'000	Adjusts. and Elims. \$'000	Total \$'000
Revenue						
External customers	10,136	15	10,151	-	-	10,151
Inter segment	332	-	332	-	(332)	-
	10,468	15	10,483	-	(332)	10,151
Other revenue	46	-	46	149	-	195
Grant Income	-	6	6	-	-	6
Interest revenue	-	-	-	3	-	3
	46	6	52	152	-	204
Total segment revenue	10,514	21	10,535	152	(332)	10,355
Result						
Segment results *	1,656	(898)	758	(988)	-	(230)
Earnings Before Interest and Tax *	1,656	(898)	758	(988)	-	(230)
Interest revenue	-	-	-	3	-	3
Interest expense	(112)	-	(112)	(15)	-	(127)
Income tax benefit/(expense)	136	5	141	6	-	147
Total segment results	1,680	(893)	787	(994)		(207)

*Includes corporate recharges to each segment

ITL Health Group Limited

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

12. SEGMENT REPORTING (continued)

Half Year ended 31 December 2016

	BioMed \$'000	HCA (disc. Operation) \$'000	MHT \$'000	Total Segments \$'000	Corporate & Other \$'000	Adjusts. and Elims. \$'000	Total \$'000
Revenue							
External customers	11,304	6,165	5	17,474	-	(6,165)	11,309
Inter segment	1,732	-	-	1,732	-	(1,732)	-
	13,036	6,165	5	19,206	-	(7,897)	11,309
Other revenue	84	31	-	115	310	(31)	394
Grant Income	-	-	50	50	-	-	50
Forex Gain	278	5	-	283	-	(5)	278
	362	36	50	448	310	(36)	722
Total segment revenue	13,398	6,201	55	19,654	310	(7,933)	12,031
Result							
Segment results *	2,965	65	(347)	2,683	(302)	(126)	2,255
Earnings Before Interest and Tax *	2,965	65	(347)	2,683	(302)	(126)	2,255
Interest revenue	-	-	-	-	-	-	-
Interest expense	(133)	(52)	-	(185)	(17)	52	(150)
Income tax benefit/(expense)	(85)	-	84	(1)	-	-	(1)
Total segment results	2,747	13	(263)	2,497	(319)	(74)	2,104

*Includes corporate recharges to each segment

Certain comparatives have been re-presented to conform with current year's presentation as a result of the disposal of ITL Healthcare Pty Ltd and the inclusion of the continuing operations as part of the BioMed segment.