Annual Report

FOR THE FULL YEAR ENDED 30 JUNE 2022

idx
integral DIAGNOSTICS

Acknowledgement of Country

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

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

ABN 55 130 832 816

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

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+82

Patient NPS

IDX patient NPS Score
From more than 7,500 patient responses

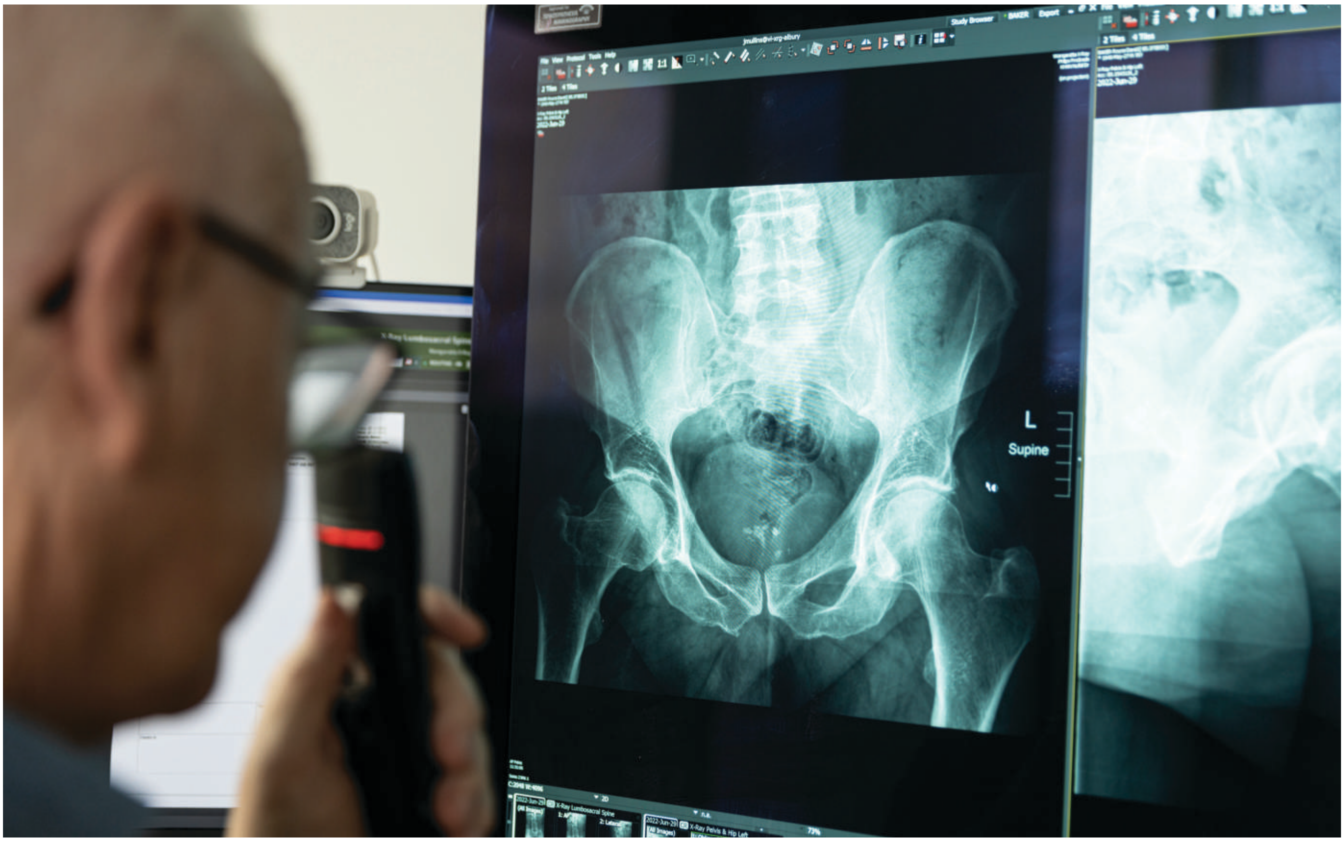
2 million
Examinations

37 thousand
Referrers

800 thousand
Patients

245
Reporting Radiologists

You are part of a company whose purpose is to deliver the best possible outcomes for our patients by providing diagnostic imaging services, in order to diagnose and treat illness and injury.



GROUP LOCATIONS

idx integral DIAGNOSTICS

Company history

1967	The practice that would become South Coast Radiology is established
2002	Lake Imaging brand established (wholly owned subsidiary of IDX) in Ballarat, VIC
2007	Darling Downs and Mackay Radiology Sunshine Coast Radiology practices opened
2011	Acquired Western Medical Imaging
2012	Acquired Ballarat MRI
2014	Merged with South Coast Radiology in QLD
2014	Acquired 60% of Global Diagnostics in WA
2015	Successfully listed on the ASX

2018
- Announced acquisition of Geelong Medical Imaging
- Announced acquisition of Specialist Radiology Group, Trinity MRI and Cavendish Radiology in Auckland, NZ

2019
- Acquired Imaging Queensland

2020
- IDXt established - Specialist overflow and after hours teleradiology provider
- Acquired Ascot Radiology, NZ
- Integral Diagnostics has been included in the ASX Top 300

2021
- Acquired X-Ray Group, NSW & VIC
- Medx established – Joint venture with Medica (UK) and IDX

FY2022-2023
- Acquired Horizon Radiology, NZ
- Acquired Exact Radiology, QLD
- Acquired Peloton Radiology group, QLD

CHAIR'S LETTER

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

Dear fellow shareholders,

On behalf of the Board, I present to you the 2022 Annual Report for Integral Diagnostics (IDX) Limited.

You are part of a company whose purpose is to deliver the best possible outcomes for our patients by providing diagnostic imaging services, in order to diagnose and treat illness and injury. This year the IDX group performed over 2 million exams on around 800,000 patients, in demanding operating conditions.

The 2022 financial year has been a challenging one for the communities we operate in and for your specialist healthcare company. COVID-19, together with influenza in the winter months, has disrupted operations and adversely impacted patient and referrer activity, staff availability, employee and consumable costs and equipment delivery and repairs. Our people have worked hard to minimise disruptions caused by these challenges impacting the sector to deliver the best possible outcomes for our patients, and will continue to do so to improve the performance of your Company.

Financial Results

In the 12 months ended 30 June 2022 (FY22), operating NPAT declined by 43.1% to $21.7m. Statutory NPAT also fell by 53.5% to $14.6m. Operating diluted earnings per share fell by 46.2% to 10.2 cents per share (cps).

Operating revenue grew 2.8% to $358.7m driven by an additional two months of Astra Radiology revenue when compared to the prior year and an eight-month contribution from The X-Ray Group, which became part of the IDX group this financial year.

Across the full year ended 30 June 2022, the diagnostic imaging industry has as a whole seen decreases in activity. In Australia, Medicare Benefits for the States in which IDX operates have seen a (0.3%) decrease in weighted average benefits paid for FY22 and in comparison, IDX showed an equivalent increase of 0.1% in its organic business.

Reflecting the higher growth areas in which IDX provides services to patients, the Medicare industry weighted average for the States in which IDX operates of (0.3%) revenue decline compares favourably with the Australia-wide Medicare industry decline of (2.8%), which itself has occurred against a backdrop of strong, consistent industry growth for more than a decade of more than 6% per annum.

As at 30 June 2022, our net debt to equity ratio was 29% and the Net Debt/EBITDA ratio was 1.6x.

We declared a fully franked final dividend of 3.0cps, a total of 7.0cps for FY22, a decrease of 44.0% on the prior year reflecting the performance of your Company.

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

Targeted Expansion in Existing Geographies

Total capital expenditure was $31.3m, with $21.9m relating to growth initiatives to expand our footprint and service to patients through the development of three new sites, Benowa and Burleigh Heads on the Gold Coast and O'Connor in Perth, which opened in October 2021, April 2022 and June 2022 respectively.

In line with our strategy, IDX secured targeted acquisitions in existing geographies to expand the scope and depth of service locations to patients and broaden our referrer base.

In November 2021, we completed the acquisition of The X-Ray Group which is located in Albury Wodonga on the Victorian/New South Wales border. The X-Ray Group complements IDX's regional footprint and comprises 5 diagnostic imaging clinics, including leading clinics in Albury and Wodonga and 3 radiologists.

Also in FY22 we announced the acquisitions of Peloton Radiology, Exact Radiology and Horizon Radiology.

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Acquisitions Announced

The X-Ray Group, Peloton Radiology, Exact Radiology and Horizon Radiology.

Peloton Radiology enhances IDX's presence in the high growth corridor of South East Queensland where its 9 radiology clinics are located. Peloton brings a modern, well-invested fleet of imaging equipment over a range of imaging modalities to the group and a further 12 radiologists. This acquisition was completed on 1 July 2022 and will contribute a full year of earnings in FY23.

Exact Radiology is also located in South East Queensland, servicing Brisbane, Ipswich and the surrounding areas at its 11 clinics with 6 radiologists. This acquisition fits with IDX's other aforementioned South East Queensland acquisition, Peloton Radiology, and consolidates the group's Queensland presence from the NSW border in the South, to Mackay in the North. The acquisition of Exact Radiology is expected to be completed in the second quarter of FY23, subject to satisfaction of conditions precedent.

The acquisition of Horizon Radiology in Auckland, New Zealand, provides IDX with the opportunity to expand its presence and service offering in the Auckland market. Horizon operates 8 clinics, which are located close to major GP referrers and focus on obstetrics and musculoskeletal x-ray and ultrasound services. Horizon Radiology became part of the IDX group on 1 July 2022 and will contribute a full year of earnings in FY23.

The Company is now focused on integrating these acquisitions and is not contemplating any further acquisitions at this time.

Governance

IDX welcomed Mr Andrew Fay as an independent non-executive Director in July to replace Mr Harrington, who resigned in December 2021 after an immense contribution to the business over the last 6 years. Mr Fay is a highly experienced company director and has over 30 years' experience in the financial services industry, bringing extensive knowledge of investment and funds management. Mr Fay's significant executive experience includes Chief Executive Officer and Chief Investment Officer roles at Deutsche Asset Management (Australia) Limited, and he has provided corporate strategic advice across diverse industries.

The Board has continued the advancement of its environmental, social and governance (ESG) responsibilities and commend you to our dedicated ESG Report prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option.

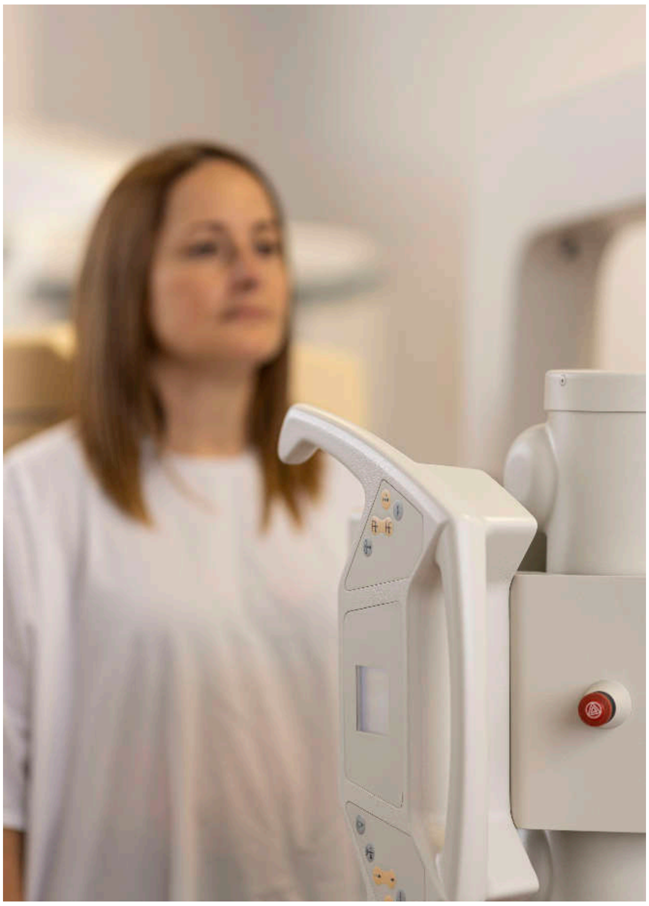
With the easing of pandemic restrictions, the Board has been able to positively renew our face-to-face meetings and engagement activities including meeting with our teams and visiting sites. It was great to see so many of the IDX team at this year's annual IDX clinical conference, which was held in June, and I look forward to connecting with you our shareholders, both in person and on line, at our AGM on Friday, 4 November 2022.

On behalf of the Board, I would like to thank our whole team of 1,868 employees led by our Managing Director & CEO Dr Ian Kadish, for their commitment to the shared IDX ambition to combine the best people and technology to provide diagnostic imaging that saves lives. I would also like to extend a warm welcome to those businesses and employees who have joined the IDX team more recently and look forward to seeing the impact of their contributions.

Thank you for your ongoing support of our Company.

Helen Kurincic

Chair
29 August 2022



MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S LETTER

The dedication and commitment of our frontline teams to practice good medicine and patient care has exceeded all expectations. Their professionalism, selflessness, care and dedication is to be admired and deserves our gratitude and pride.

Dear fellow shareholders,

Over the past financial year, the radiology industry in Australia and New Zealand experienced its most severe downturn in a generation.

Both countries had been spared from the worst impacts of the pandemic in prior years and consequently our levels of immunity from prior infection were low compared to most of the developed world. The highly contagious Omicron variant of COVID-19 therefore impacted our populations widely.

Your Company too, had a challenging year. For the first time since the advent of the pandemic, IDX was affected by COVID-19 in every community we serve. Our patients, our referring doctors, and our own doctors and staff were impacted by the Omicron variant in every part of our business, and to a far greater extent than any prior outbreak.

Prior to Omicron, the brunt of the pandemic's impact on IDX was limited to our clinics in Victoria, and was driven as much by the ramifications of the world's longest lockdown at the time, as it was by the pandemic itself. The opening of the Queensland State border on 13 December which coincided with the arrival of the Omicron variant in Australia changed all of this. The Omicron variant entered Queensland and spread widely, followed by Auckland and Western Australia. The impact on our industry and our business was significant.

Medicare radiology reimbursement declined Australia-wide by 2.8% in FY22. This decline occurred against a backdrop of strong, consistent industry growth for more than a decade, at a compound annual growth rate above 6%.

Radiology industry revenue was impacted by decreased referrals and by decreased capacity:

- Decreased referrals were driven by decreases in elective surgery over the period, and by the significant decrease in GP clinic visitations.
- Decreased capacity was driven by the COVID-19 related sick leave for doctors and staff, by logistical delays for new equipment and spare parts, and by shortages of contrast media and other medical consumables.

Australia and New Zealand had benefited for a long time from our ability to import doctors from abroad, ie from being a net recipient of International Medical Graduates. The COVID-19 immigration lockdowns have significantly curtailed this source of doctors and have exacerbated the doctor shortage in both countries. Our radiology industry is impacted as much by the GP shortage (reducing referrals) as it is by the radiologist shortage (reducing reporting capacity).

We see the widespread doctor shortages as a material risk to quality healthcare in Australia and New Zealand. IDX continues to work with the Australian Diagnostic Imaging Association (ADIA), and with industry bodies in New Zealand, to do everything we can to address these major healthcare challenges.

IDX Revenue Growth in Australia, Revenue Declines in New Zealand

In FY22, IDX served 800,000 patients and performed more than 2 million exams on behalf of 37,000 referrers in Australia and New Zealand.

Excluding acquisitions, IDX increased its market share in the Australian market by growing organic operating revenue at 1.6%, being above the Medicare industry average nationally (decreased by 2.8%) and in the States where IDX operates (decreased by 0.3%) . Completion of the X-Ray Group acquisition in November 2021 increased our market share further.

In New Zealand, IDX organic revenue declined by ($3.4m) or (7.4%) as the company was impacted both by COVID-19 and by new referrer-owned radiology practices. For several months in FY22, Auckland radiology services were restricted by harsh Government lockdowns.

In FY22, 88% of IDX revenue was derived from our Australian businesses.

Cost Pressures

IDX experienced significant cost pressure from increased sick leave, inflation and wage pressures, border closures restricting the movement of radiologists and staff, increased consumable costs for PPE, and price increases and logistical delays for new equipment and spare parts.

Omicron's impact on the radiology industry was magnified due to its disproportionate impact on the healthcare frontline, particularly nurses and sonographers. Reductions in ultrasound volumes drive reductions across all diagnostic modalities, as ultrasound is usually an early investigation that drives further higher value investigations as patients and referrers seek more definitive diagnoses.

Across the IDX group, sick leave in the second half of the financial year was incurred at about twice its pre-COVID-19 level. Acute staff shortages driven by sick leave exacerbated the skills shortages we have in radiology, particularly in the clinical areas. In non-COVID-19 years, the industry skills shortage is alleviated by the inward immigration of radiologists and other skilled professionals. The pandemic halted this inflow for 2 years.

The high levels of sick leave, combined with wage pressures and skills shortages in many clinical areas, culminated in materially higher labour costs as our clinics hired locums and incurred overtime in an attempt to maintain capacity and throughput.

Financial Performance

As a result of lower than expected revenue growth, and higher labour and equipment costs, your Company experienced a decline in its earnings per share for the first time since listing in 2015. Operating diluted earnings per share declined by 46.2% to 10.2c in FY22.

Living our Values

Our values are epitomised by our frontline clinic staff, and those who support them, in the work we do every day.

Even prior to COVID-19, our frontline staff always demonstrated their commitment to put patients first, a commitment to our first calling as health professionals. However, over the past two years the dedication and commitment of our frontline teams to practice good medicine and patient care has exceeded all expectations. Their professionalism, selflessness, care and dedication is to be admired, and deserves our gratitude and pride.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S LETTER

Growth and Acquisitions

We developed 3 important Greenfield sites in FY22.

The 3 new sites, at Benowa (opened October 2021) and Burleigh Heads (opened April 2022) on the Gold Coast, and our new metro Perth site at O'Connor (opened June 2022), have shown promising early results, despite delays due to pandemic-related logistical and construction challenges.

Over the last several years, your Company has completed several strategic acquisitions, in Australia and in New Zealand. This year was no exception:

- On 30 September 2021, we announced the acquisition of the X-Ray Group, a leading regional radiology business located in Albury-Wodonga on the NSW-Victoria border. The group employs 3 fulltime radiologists, operates 5 clinics, and has 2 MRI's and one full MRI license. The second MRI will become Medicare rebateable in November 2022. We completed the acquisition on 1 November 2021.
- On 23 February 2022, we announced the acquisition of the Peloton Radiology, and undertook a $90m capital raising. Peloton Radiology comprises 12 radiologists, 9 clinics and 3 partial MRI licenses. The group provides radiology services from the Sunshine Coast to the Brisbane CBD. We successfully completed the $90m capital raising to institutional investors on 24 February and to retail investors on 22 March 2022.
- On 11 May 2022, we announced the acquisition of the Exact Radiology business. Exact Radiology employs 6 radiologists, operates 11 clinics, and has 2 MRI's including one partial MRI license in Ipswich. Exact Radiology solidifies the IDX presence in Queensland, from the NSW border in the South to Mackay in the North.
- On 18 May 2022, we announced the acquisition of Horizon Radiology in Auckland. Horizon Radiology operates 8 clinics in greater Auckland, providing Xray and ultrasound obstetrics and MSK services, and is located close to major GP referrers.

On 1 July, we completed the acquisition of Peloton Radiology and of Horizon Radiology. Completion of the acquisition of the Exact Radiology business is expected in the second quarter of FY23, subject to satisfaction of conditions precedent.

Our People

Our people, the 1,868 individuals employed by IDX, will always be the heart of our business. These are the doctors and staff who work every day to provide the best possible health outcome to every patient, in order to realise our vision of building a healthier world.

IDX employee engagement levels increased in FY22 despite the industry challenges. Our June 2022 employee survey demonstrated solid improvement over the 12 month period. This was a gratifying result in a challenging time, and demonstrated that the company's commitment to our radiologists and staff were appreciated and gratefully reciprocated.

An excellent example of the world getting back to 'normal' and being able to reconnect in person was the 5th Annual IDX Conference held on the Sunshine Coast in June. The conference was the largest Annual IDX Conference yet held, involving 320 radiologists and staff from all business units across the IDX group. The conference had been rescheduled several times due to lockdowns and COVID-19 restrictions, and it provided an ideal opportunity to give back to our hard hit frontline staff, providing in-person teaching, training and networking opportunities with our colleagues.

FY23 Priorities

Over the next financial year, our major priorities are to:

- drive organic growth, including through selective price increases, cost efficiencies and select brownfield and greenfield investment opportunities;
- accelerate the use of teleradiology, digital and AI technologies;
- drive our environmental, social and governance (ESG) strategy;
- continue to nurture and develop culture and leadership across our people; and
- focus on integrating recent acquisitions well, with no further acquisitions contemplated at this time.

Going Forward

The long term industry fundamentals are strong. Both Australia and New Zealand have growing and ageing populations that will require more diagnostic support into the future. New imaging technologies provide for better, safer and earlier care. Your Company is well positioned to benefit from these important trends.

Currently, we are still impacted by lower referrals, skills shortages, inflation and supply chain issues, but we're addressing the challenges. We are moving to a more variable cost model where we can and we are selectively increasing prices to partially offset inflation in our cost base. The two-year reduction in medical service provision means there will be a pent up demand when patients do come back. The reduction in screening services, particulary for oncology and cardiac disease, means that patients will unfortunately be presenting later and with more advanced disease and will generally require more extensive radiology services. The new diagnostic and treatment modalities available, facilitated by increased digitisation, teleradiogy, big data and AI, positions companies like ours to do well while delivering optimal health outcomes at the same time.

The radiology industry is at the confluence of healthcare and technology, and benefits from strong growth drivers in both industries. IDX has positioned itself at the high acuity end of the radiology spectrum, providing more high value MRI, CT, Nuclear Medicine and PET-CT services to specialists and GP's, from comprehensive clinics in the ANZ and through our teleradiology division, IDXt. We have strong comprehensive market positions and are the number one or number two provider in most geographic markets we serve. Challenges like the COVID-19 pandemic reduce earnings in the short-term, but the long-term growth drivers remain. Specifically, patients will continue to need more of the high end diagnostic modalities as these services provide increasingly valuable information to patients and their referrers. PET-CT services for early detection of Alzheimers disease, and MRI and PET-CT services for breast and prostate disease are exciting new developments with large addressable markets. Valuable diagnostic services like these provide us with the ability to continue to fulfill our vision and purpose to build a healthier world by delivering the best health outcome to every patient we serve.

In closing, I'd ask my fellow shareholders to join me in thanking, once again, our frontline healthcare heroes at IDX who continue to put our patients first every day. Our doctors and staff are truly among the finest healthcare professionals in the world. Their professionalism, dedication and commitment to our patients and referrers is inspiring.

My thanks also to our patients who put their trust in us, to our loyal referrers who trust their patients to us, and to you, our shareholders, who put your faith in us.

My sincere thanks to our Chair, Board and management team, for their valuable counsel, insight, commitment and support.

I look forward to reconnecting with you all in person at our Annual General Meeting in November this year.

Good medicine is good business.

Sincerely,

Dr Ian Kadish

Managing Director and Chief Executive Officer
29 August 2022

DIRECTORS' REPORT

For the year ended 30 June 2022

The Directors present their Report, together with the financial statements, on the consolidated entity the ('Group') consisting of Integral Diagnostics Limited (IDX or the 'Company') and the entities it controlled for the year ended 30 June 2022.

The information referred to below forms part of, and is to be read in conjunction with, this Directors' Report:

- the Operating and Financial Review (OFR) commencing on page 22; and
- the Remuneration Report commencing on page 35.

Directors

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

Helen Kurincic (Independent Non-Executive Chair)
Dr Ian Kadish (Managing Director and Chief Executive Officer)
John Atkin (Independent Non-Executive Director)
Raelene Murphy (Independent Non-Executive Director)
Dr Jacqueline Milne (Executive Director)
Dr Nazar Bokani (Executive Director)
Rupert Harrington (Independent Non-Executive Director) resigned 19 December 2021
Andrew Fay (Independent Non-Executive Director) commenced 18 July 2022

Principal activities

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

Business strategies, prospects and likely developments

The OFR, which commences on page 22 of the Annual Report, sets out information on the business strategies, prospects and likely developments for future financial years.

Review and results of operations

A review of the operations of the Group during the financial year, the results of those operations and the financial position of the Group are contained in the OFR, which commences on page 22 of the Annual Report.

Dividends paid in the year ended 30 June 2022

Dividends paid/payable during the financial year were as follows:

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Dividend paid 4 cents per share on 1 October 2020	**-**	7,734
Dividend paid 5.5 cents per share on 6 April 2021	**-**	10,824
Dividend paid 7 cents per share on 6 October 2021	**13,825**	-
Dividend paid 4 cents per share on 4 April 2022	**8,025**	-
	21,850	18,558

Significant changes in the state of affairs

The Group continued to navigate the impacts of the COVID-19 pandemic. Details of the operating and financial impacts of COVID-19 are included in the OFR. As at the date of this Directors' Report it is not expected that COVID-19 will significantly impact the long-term underlying fundamentals of the diagnostic imaging industry.

Effective from 1 November 2021 the Group completed the acquisition of The X-Ray Group. Details of the acquisition are included in Note 34 to the financial statements.

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

Matters subsequent to the end of the financial year

On 1 July 2022, the Group completed its acquisition of Peloton Radiology, a scale provider of diagnostic imaging services with a strategic presence from Brisbane to the Sunshine Coast, in the high growth corridor of South East Queensland. Also on 1 July 2022, the Group completed its acquisition of Horizon Radiology, a significant provider of obstetrics and musculoskeletal x-ray and ultrasound services, which provides the Group with the opportunity to expand its presence and offering in the Auckland market. Further details of these acquisitions are included in Note 39 to the financial statements.

Following approval of their participation, on the 4 August 2022, $1.3 million of Radiologist contributions were received in connection with the Radiologist Loan Funded Share Plan and the New Zealand Matching Options Plan. These contributions are to be matched by an IDX contribution of $2.7 million, resulting in $4.0 million of share capital/options to be issued on 5 September 2022. The number of shares/options to be issued will be determined by the 30-day VWAP up to 30 August 2022.

Subsequent to year end a dividend of 3.0 cents per share was declared and will be paid on 5 October 2022.

Other than those detailed above, no other matters or circumstances have arisen since 30 June 2022 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs until future financial years.

Environmental regulations

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law. During the financial year the Group was not convicted of any breach of environmental regulations.

A copy of the Group's ESG Report can be found on the Company's Website at www.integraldiagnostics.com.au/reports

Information on Directors

Helen Kurincic
Independent Non-Executive Chair
MBA, FAICD, FGIA, MBA, Grad Dip Wom Stud, PBC Crit Care, Cert Nsg

Ms Helen Kurincic was appointed as an independent Non-Executive Director and Chair of the Company in December 2014, preceding listing on the ASX on 21 October 2015.

Helen has deep Executive and Board-level experience across the healthcare industry. Previously, Helen was the Chief Operating Officer and Director of Genesis Care from its earliest inception, creating and developing the first and largest radiation oncology and cardiology business across Australia. Prior to that, Helen held various Executive and Non-Executive healthcare sector roles including Non-Executive Director of DCA Group Ltd (diagnostic imaging services in Australia and the United Kingdom), Non-Executive Director of AMP Capital Investors Domain Principal Group, CEO of Benetas and Non-Executive Director of Melbourne Health and Orygen Research Centre.

Helen has also been actively involved in healthcare government policy reform, including appointments by Health Ministers as Chair of the Professional Programs and Services Committee for the Fourth Community Pharmacy Agreement, and Member of the Minister's Implementation Taskforce and Minister's Reference Group for the Long Term Reform of Aged Care.

She is currently the Independent Non-Executive Chair of McMillian Shakespeare Limited (ASX:MMS), a Non-Executive Director of Estia Health Limited (ASX:EHE), HBF Health Limited, and the Victorian Clinical Genetics Service. She is also a senior advisor in the healthcare sector.

Former directorships (in the last three years)	None
Special responsibilities	Member of the Audit Risk and Compliance Committee Member of the People and Remuneration Committee Chair of the Nomination Committee
Interests in shares	555,579 ordinary shares (indirectly)

Dr Ian Kadish
Managing Director and Chief Executive Officer MBBCh, MBA

Dr Ian Kadish was appointed Managing Director and Chief Executive Officer of IDX on 22 May 2017.

Ian began his career as a medical doctor in Johannesburg, South Africa. He subsequently completed an MBA at the Wharton Business School at the University of Pennsylvania (Dean's List, May 1990) and followed this with several roles overseas including McKinsey and Company, CSC Healthcare in New York City, and Netcare, a major hospital group in South Africa and the United Kingdom, where Dr Kadish was an Executive Director from 1997 to 2006. Ian was instrumental in growing the group from five hospitals with a market capitalisation of $60 million, to 119 hospitals and a market capitalisation of $3 billion. Since migrating to Australia in 2006, Dr Kadish's roles have included CEO and MD of Healthcare Australia, CEO and MD of Pulse Health Group (previously ASX-listed hospital group) and CEO of Laverty Pathology.

Ian is currently a Non-Executive Director of Teaminvest Private Group Limited (ASX:TIP). He is also an Executive Committee Member of the Australian Diagnostic Imaging Association (ADIA).

Former directorships (in the last three years)	None
Special responsibilities	Member of the Integral Clinical Leadership Committee
Interests in shares	539,441 ordinary shares and 777,559 rights (directly)

John Atkin
Independent Non-Executive Director BA, LLB, FAICD

John Atkin was appointed as an independent Non-Executive Director of IDX on 1 October 2015.

John is an experienced company director, and in 2018 he was appointed Chair of the Australian Institute of Company Directors. John was Chief Executive Officer and Managing Director of The Trust Company Limited from 2009 to 2013 prior to its successful merger with Perpetual Limited. Prior to joining the Trust Company, John was the managing partner and Chief Executive Officer of leading Australasian law firm Blake Dawson (now Ashurst). Before this, John was a senior mergers and acquisitions partner of Mallesons Stephen Jaques (now King & Wood Mallesons).

He is currently a Non-Executive Director of IPH Limited (ASX:IPH). John is also a director of a number of unlisted entities including Qantas Superannuation Limited, trustee of the Qantas Superannuation Fund and Outward Bound International Inc.

Former directorships (in the last three years)	None
Special responsibilities	Chair of the People and Remuneration Committee Member of the Audit, Risk and Compliance Committee Member of Nomination Committee
Interests in shares	183,785 ordinary shares (indirectly)

Raelene Murphy
Independent Non-Executive Director BBus, FCA, GAICD

Ms Raelene Murphy was appointed as an independent Non-Executive Director of IDX on 1 October 2017.

Raelene has over 30 years' experience in strategic, financial and operational leadership in both industry and professional advisory, after beginning her career in audit. She was formerly a Partner in a national accounting firm, Managing Director of Korda Mentha and CEO of the Delta Group. In her professional advisory career she specialised in operational and financial restructuring, with a particular emphasis on merger and acquisition integration across a range of significant public and private companies.

Raelene is a Fellow of Chartered Accountants Australia and New Zealand and has extensive experience as Chair of Audit and Risk Committees for ASX Listed companies.

She is currently a Non-Executive Director of ASX listed Altium Limited (ASX:ALU), Bega Limited (ASX:BGA), Elders Limited (ASX:ELD) and Tabcorp Holdings Limited (ASX:TAH).

Former directorships (in the last three years)	Service Stream Limited (ASX: SSM) - Non-Executive Director - (2016 to 2019) Clean Seas Seafood Limited (ASX:CSS) – Non-Executive Director - (2018 to 2020)
Special responsibilities	Chair of the Audit, Risk and Compliance Committee Member of the People and Remuneration Committee Member of Nomination Committee
Interests in shares	30,945 ordinary shares (indirectly)

Andrew Fay
Independent Non-Executive Director BAgEc (Hons), A Fin

Andrew Fay was appointed as an independent Non-Executive Director of IDX on 18 July 2022.

Andrew brings to the Board over 30 years' experience in funds and investment management, including Chief Executive Officer and Chief Investment Officer roles at Deutsche Asset Management (Australia) Limited. He also held a number of other senior investment roles at Deutsche Asset Management and previously at AMP Capital. From 1998 to 2006, he was a member of the Investment Board Committee of the Financial Services Council.

Andrew is an experienced company director across ASX listed, private and regulated entities and accordingly brings to the Board skills in financial and risk management, capital markets, executive remuneration frameworks, strategy, investment and corporate governance. Specifically, he has sector experience and expertise in financial services, including investment, funds, property and infrastructure management.

He is currently a Non-Executive Director of National Cardiac Pty Ltd, Utilities of Australia Pty Ltd (Trustee of Utilities Trust of Australia) and advises Microbiogen Pty Ltd in the area of corporate development.

Former directorships (in the last three years)	Pendal Group Limited (ASX:PDL) - Non-Executive Director – (2011 – 2021) Spark Infrastructure RE Limited (ASX:SKI) - Non-Executive Director – (2010 – 2021) Cromwell Property Group (ASX:CWM) - Non-Executive Director (and Deputy Chair 2020) - (2018 – 2020)
Special responsibilities	Member of the Audit, Risk and Compliance Committee Member of the People and Remuneration Committee Chair of the Mergers and Acquisitions Working Group
Interests in shares	None

Dr Nazar Bokani
Executive Director MBChB, FRANZCR, MD, GAICD

Dr Nazar Bokani was appointed as a Director of IDX on 26 April 2021. Dr Bokani is a full time employed radiologist of the Company based in Western Australia and is therefore considered by the Board to be a Non-Independent Executive Director. While Dr Bokani is not an independent director by virtue of his employment, he is independent of senior management and his responsibilities do not extend to the day-to-day management of the Company.

Dr Bokani graduated in Medicine (MBChB) in 1991 at Baghdad University, and obtained his MD degree from the University of Leiden in The Netherlands. He completed his radiology training at Maastricht University Hospital in The Netherlands and consulted as a radiologist in the UK before coming to Australia. Dr Bokani is qualified as a radiologist in Australia, the UK and the Netherlands, where he has practiced.

Besides general radiological and interventional work, Dr Bokani covers cross-sectional CT & MRI work, Cardiac CT, Ultrasound and symptomatic breast sessions both diagnostic and interventional. Dr Bokani is also an active member of the IDX Western Australian radiologist group, being a member of the Western Australian Clinical Leadership Committee.

Dr Bokani is the Chair of the Company's Artificial Intelligence (AI) Steering Committee and has been instrumental in the implementation of AI across the Company. He has also played a key role in the in the establishment of the Company's teleradiology offering.

Former directorships (in the last three years)	None
Special responsibilities	Member of the Integral Clinical Leadership Committee
Interests in shares	277,716 ordinary shares

Dr Jacqueline Milne
Executive Director BASc., MBBS, FRANZCR, GAICD

Dr Jacqueline Milne was appointed as a Director of IDX on 1 November 2019. Dr Milne is a full-time permanently employed radiologist of the Company based in Queensland and is therefore considered by the Board to be a Non-Independent Executive Director. While Dr Milne is not an independent director by virtue of her employment, she is independent of senior management and her responsibilities do not extend to the day-to-day management of the Company.

Dr Milne graduated from the University of Queensland with a medical degree and completed her radiology fellowship at the Gold Coast University Hospital. Dr Milne began her medical career as a practicing radiographer at South Coast Radiology prior to commencing her medical degree and radiology qualifications. The multidisciplinary experience Dr Milne brings as both a radiographer and radiologist to the Board is invaluable.

Dr Milne's speciality interests include women's imaging, medical training and general procedural work. Dr Milne is also an active member of the IDX Queensland radiologist group being a member of the Queensland Clinical Leadership Committee.

Former directorships (in the last three years)	None
Special responsibilities	Member of the Integral Clinical Leadership Committee
Interests in shares	19,990

Other current directorships quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former directorships (last three years) quoted above are directorships held in the last three years for listed entities only and exclude directorship of all other types of entities, unless otherwise stated.

Company Secretary

Kirsty Lally (BEcon, CA,) was appointed Company Secretary on 5 July 2019. Kirsty is an experienced executive with experience across listed small market capitalisation, unlisted and private companies, specialising in governance, compliance and other corporate matters.

Meetings of Directors

	Board		Audit, Risk and Compliance Committee		People and Remuneration Committee		Nomination Committee	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Helen Kurincic	17	17	9	9	6	6	3	3
Dr Ian Kadish	17	17	–	–	–	–	–	–
John Atkin	17	17	9	9	6	6	3	3
Raelene Murphy[1]	17	17	9	9	6	6	2	2
Dr Jacqueline Milne	17	17	–	–	–	–	–	–
Dr Nazar Bokani	17	15	–	–	–	–	–	–
Rupert Harrington[2]	7	7	5	5	4	4	1	1

1. Raelene Murphy was appointed to the Nomination Committee on 24 January 2022
2. Rupert Harrington resigned as a Director of the Company on 19 December 2021

Held: represents the number of meetings held during the time a Director held office and was eligible to attend.

The Board has also established a group-wide Clinical Leadership Committee, which is made up of Executive Directors Dr Ian Kadish, Dr Nazar Bokani, and Dr Jacqueline Milne, together with radiologist leaders from across IDX. Its role is to promote and support a collegiate culture across all practices and to provide advice on all clinical governance matters including patient care, clinical standards and quality assurance.

The Integral Clinical Leadership Committee (ICLC) met 5 times during the year and Executive Directors' attendance is noted below:

	ICLC	
Director	Held	Attended
Dr Ian Kadish	5	5
Dr Jacqueline Milne	5	5
Dr Nazar Bokani	5	2

Held: represents the number of meetings held during the time a Director held office and was eligible to attend.

The Board has a Mergers and Acquisitions Working Group. The working group was chaired by Mr Harrington prior to his resignation and its members include Dr Ian Kadish and Chief Financial Officer (CFO), Mr Craig White. The Chair also attends the meetings when relevant. The Mergers and Acquisitions Working Group met 5 times during the year. Mr Fay, who was appointed as a Director on the 18 July 2022, was also appointed Chair of the Mergers and Acquisitions Working Group.

Indemnity and insurance of officers

The Company's Constitution requires the Company to indemnify any person who is, or has been, an officer of the Company, including the Directors, Executives and the Company Secretary of the Company, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred by the officer as an officer of the Company or of a related body corporate.

In accordance with the Company's Constitution, the Company has entered into a deed of indemnity, insurance and access with each of the Company's Directors. Under the deeds of indemnity, insurance and access, the Company must maintain a directors' and officers' insurance policy insuring a Director (among others) against liability as a director and officer of the Company and its related bodies corporate, until seven years after a director ceases to hold office as a director or of a related body corporate (or the date any relevant proceedings commenced during the seven-year period have been finally resolved). No Director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the financial year.

During the financial year, the Company has paid a premium in respect of a contract insuring officers of the Company or of a related body corporate and its related bodies corporate against all liabilities that they may incur as an officer of the Company or of a related body corporate, including liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions. Due to confidentiality obligations and undertakings of the policy, no further details in respect of the premium or the policy can be disclosed.

Indemnity and insurance of the auditor

The Company has agreed to indemnify the auditors, PricewaterhouseCoopers, to the extent permitted by law, against any claim by a third party arising from the Company's breach of their agreement. The indemnity stipulates that the Company will meet the full amount of any such liabilities including a reasonable amount of legal costs. No liability has arisen or premium paid under this indemnity.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the court under section 237 of the Corporations Act 2001 (Cth) (Corporations Act) for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor of the Company for audit and non-audit services during the year by the auditor are disclosed in Note 29 to the financial statements.

In accordance with its Policy for Non-Audit Services Provided by the External Auditor, the Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. The non-audit services provided were largely for work performed pertaining to tax advisory and compliance services.

The Board, in accordance with advice provided by the Audit Risk and Compliance Committee (ARCC), is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

a. all non-audit services have been reviewed by the ARCC to ensure they do not impact the impartiality and objectivity of the auditor, and
b. none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Officers of the Company who are former partners of PricewaterhouseCoopers

There are no officers of the Company who are former audit partners of PricewaterhouseCoopers.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 54.

Auditor

PricewaterhouseCoopers continues in office as the auditor of the Company in accordance with section 327 of the Corporations Act.

Rounding of amounts

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

This Directors' Report is made in accordance with a resolution of Directors.

On behalf of the Directors

Helen Kurincic	**Dr Ian Kadish**
Chair	Managing Director and Chief Executive Officer

29 August 2022
Melbourne

OPERATING AND FINANCIAL REVIEW

For the year ended 30 June 2022

The purpose of this Operating and Financial Review is to provide shareholders with additional information regarding the Company's operations, financial position, business strategies and prospects. The review complements the Financial Report on pages 55 to107 and the ASX announcement and full year results presentation dated 29 August 2022.

Integral Diagnostics Limited (ASX: IDX) is an Australian and New Zealand healthcare services company whose main activity is providing diagnostic imaging services to referrers (general practitioners, medical specialists, and allied health professionals) and their patients.

IDX has a diversified revenue mix and focuses on providing a full range of diagnostic imaging modalities. Post the acquisitions of both Peloton Radiology and Horizon Radiology on 1 July 2022, IDX has 91 sites of which 31 are comprehensive sites that are located close to specialist referrers who require higher complexity imaging and make greater use of CT, MRI, PET and interventional procedures throughout our business. During the year under review IDX operated in four key markets.

	Company	Geographic Market	Core markets	Sites	Comprehensive sites[2]	MRI machines	MRI Licences	PET Scanners	Employed Radiologists[3]	# of Employees[5]
Victoria	Lake imaging	Victoria	Ballarat, Geelong, Warrnambool and outer western areas of Melbourne	19	6	8	4 full 0 partial	2	46	368
Victoria	the x-ray group	Victoria & NSW	Albury, Wodonga, Wangaratta, Yarrawonga and Lavington	5	2	2	1 full 0 partial	-	2	76
Queensland	imaging Queensland	Queensland	Sunshine Coast, Rockhampton and Gladstone	17	7	6	3 full 2 partial	-	21	320
Queensland	South Coast Radiology	Queensland & NSW	Gold Coast, Toowoomba and Mackay	16	7	8	4 full 2 partial	2	35	415
Queensland	Peloton Radiology	Queensland[1]	Brisbane, Sunshine Coast	9	2	3	0 full 3 partial	-	7	162
WA	apex radiology	Western Australia	South West Western Australia	6	2	3	2 full 0 partial	1	14	175
New Zealand	AstraRadiology SRGRadiology TrinityMRI	New Zealand	Auckland	11	5	6	N/A	1	36[4]	168
New Zealand	Horizon Radiology	New Zealand[1]	Auckland	8	-	-	N/A	-	1[4]	65
	Total IDX			**91**	**31**	**36**	**14 full 7 partial**	**6**	**162**	**1,749**

1. Acquisitions completed 1 July 2022
2. Comprehensive sites include a range of radiology equipment including MRI's and CT's and are located with or near major specialist referrers
3. Relates to employed radiologists only. In addition, IDX has had 83 contractor radiologists providing services
4. Consistent with the NZ private radiology model, all doctors work across the public and private sector and meet the criteria to be classified as contractors but are on terms and conditions similar to IDX employed radiologists
5. This number represents the number of employees on employment contracts on either part time or full-time arrangements. It does not represent the number of full-time equivalent employees or individual casual/contract arrangements. In addition, there are 119 employees in the corporate office (including IDXt) totalling 1,868 employees

Diagnostic imaging is the branch of medicine that utilises a range of non-invasive imaging technology to create images of bones, tissues and organs within the human body in order to diagnose and treat illness and injury. Images can be produced using a variety of modalities including;

- nuclear medicine (which includes positron emission tomography (PET));
- single positron emission tomography (SPECT);
- magnetic resonance imaging (MRI);
- computed tomography (CT);
- mammography;
- interventional radiology (IR);
- ultrasound (US); and
- radiography (X-ray) & EOS.

The images produced by diagnostic imaging are a critical tool for referrers in reaching a diagnosis and deciding on the most effective and efficient form of treatment for patients. In this way, appropriate use of diagnostic imaging can significantly enhance medical outcomes for patients while at the same time reducing the overall cost of healthcare.

Year in Review

Financial performance

A summary income statement providing details of non-operating transactions and reconciling to the statutory income statement is outlined in the following table:

Summary income statement[1]	30 June 2022 Actual $m	30 June 2021 Actual $m
Operating revenue	**358.7**	348.8
Other revenue	**2.3**	1.9
Total revenue	**361.0**	350.7
Operating EBITDA	**74.8**	93.5
Operating EBITA	**41.0**	62.8
Operating NPAT	**21.7**	38.1
Non-operating transactions net of tax		
Transaction and integration costs	**(5.5)**	(1.4)
Share based payments	**0.6**	(2.1)
Amortisation of customer contracts	**(2.2)**	(3.3)
Statutory NPAT	**14.6**	**31.3**
Operating EBITDA as a % of operating revenue	**20.8%**	26.8%
Operating NPAT as a % of operating revenue	**6.0%**	10.9%
Operating diluted EPS (earnings per share)	**10.2**	19.0
Statutory diluted EPS (earnings per share)	**6.9**	15.6
Return on operating assets (based on operating NPAT)[2]	**6.3%**	14.5%
Declared dividend pay-out ratio on statutory NPATA	**84.9%**	71.5%

1. The operating and financial review includes references to pro-forma results to exclude the impact of the adjustments detailed above. The Directors believe the presentation of non-IFRS financial measures are useful for the users of this financial report as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-IFRS financial measures contained within this report are not subject to audit or review
2. Return on operating assets has been calculated using the LTM organic operating NPAT (plus trailing acquisitions NPAT) of $23.3m (FY21$38.9m)

The operating performance of IDX in FY22 was significantly adversely impacted by COVID-19 across the entire year, together with influenza in the second half of FY22. Across the full year ended 30 June 2022, the diagnostic imaging industry has as a whole seen decreases in activity. In Australia, Medicare Benefits for the States in which IDX operates have seen a (0.3%) decrease in weighted average benefits paid for FY22 and in comparison, IDX showed an equivalent increase of 0.1% in its organic business. Reflecting the higher growth areas in which IDX provides services to patients, the Medicare industry weighted average for the States in which IDX operates of (0.3%) revenue decline compares favourably with the Australia-wide Medicare industry decline of (2.8%), which itself has occurred against a backdrop of strong, consistent industry growth for more than a decade of more than 6% per annum.

The impacts of COVID-19, and to a lesser extent influenza in the second half of FY22, included the following:

- Reduced patient activity due to:
  - restrictions on elective surgery, together with backlogs even where these restrictions have eased;
  - patients' reluctance or inability to attend healthcare services; and
  - staff shortages caused by high levels of sick leave and/or personal leave where a close contact and required to isolate, requiring site closures or reduced operations.
- Increased employee costs due to an increased use of sick and/or personal leave, a reduction in annual leave taken and border restrictions and its residual effects impacting staffing.
- Increased consumable costs due to ongoing use of personal protective equipment.
- Supply chain disruptions for equipment delivery and repairs resulting in delays in organic growth initiatives and increased downtime of equipment.

OPERATING AND FINANCIAL REVIEW

For the year ended 30 June 2022

The operating EBITDA margin of 20.8% is 6.0% lower than the prior year, which is largely driven by the impact of COVID-19 across all geographic areas in which we operate. Influenza during the winter months is also further disrupting operations and adversely impacted performance. This is consistent with the experience across the broader industry, with Medicare benefits for similar geographic areas showing a (5.5%) decrease in weighted average benefits paid for the period from January to June 2022. In comparison IDX showed an equivalent decrease of (3.6%).

Operating NPAT decreased by $16.4m or 43.1% and operating diluted earnings per share decreased by 46.2% to 10.2 cents per share.

Statutory NPAT performance of $14.6m decreased by 53.5% with the additional decrease relative to Operating NPAT being due to non-operating transactions. These include transaction and integration costs of external advisors for mergers and acquisitions activity. A proportion of these transaction costs are not tax deductible as they are on the capital account, creating a greater impact on statutory earnings after tax.

Financial overview

- Operating revenue of $358.7m increased by 2.8%.
- Organic operating revenue from all sources (including reporting contracts) in Australia grew $4.8m or 1.6% (on volume decline of 2.6%), above the Medicare industry weighted average for the States in which IDX operates being (0.3%) revenue decline (on volume decline of 1.8%). Note further that IDX's growth is off a higher base relative to the industry weighted average for the States in which IDX operates, given the more regional nature of IDX's operations, which were less impacted by COVID-19 in the prior corresponding period, in particular in Victoria.
- Average fees per exam (including reporting contracts) in Australia increased by 4.3% in FY22, reflective of an ongoing move to the higher end CT, MRI and PET scan modalities and to a lesser extent Medicare indexation of 0.9% applied on CT, Ultrasound and X-ray from 1 July 2021. Reflective of IDX's focus on higher end modalities that drive stronger bottom-line results, the modalities in which IDX trailed Medicare most in revenues were Ultrasound (4.8%) lower and X-ray (3.4%) lower.
- New Zealand contributed revenue in FY22 of $42.5m (FY21 $45.9m) with an organic revenue decline of ($3.4m) or (7.4%) reflecting the absence of any COVID-19 impact in FY21. New Zealand revenues have continued to be impacted by referrer-owned radiology practices in Auckland. The company continues to work with industry and regulatory authorities to maintain professional, quality, arms-length referral practices that protect patient interests.
- The Astra Radiology acquisition contributed incremental revenue of A$3.6m for the 2 months from 1 July to 31 August 2021, while the X-Ray Group acquisition contributed incremental revenue of $8.9m for the 8 months from 1 November 2021 to 30 June 2022.
- Operating EBITDA margin of 20.8% has decreased 6.0% from 26.8% due to the significant adverse impact of COVID-19 on patient revenues, employee and consumables costs:
  - IDX continued to outperform comparative published industry results by 0.4% year on year growth in revenue terms in Australia;
    - › Employee, consumables, equipment, occupancy and other costs all increased as a % of revenue driven by the adverse impact of COVID-19 on patient revenues, together with the following:
      - › employee costs increased by 4.4% ($21.6m) as a percentage of revenue driven by the relatively fixed nature of employee costs, radiologist demand vs supply cost pressures present in the industry and increased use of paid sick leave and/or personal leave in a COVID-19 environment;
      - › consumables increased by 0.5% ($2.2m) of revenues, reflecting the higher cost of consumables for higher end modalities and increased usage of PPE due to COVID-19;
      - › equipment increased by 0.2% ($1.0m) of revenue, despite better pricing achieved due to some equipment coming out of warranty and increasing the level of service cover on equipment;
      - › occupancy costs increased by 0.1% ($0.5m) of revenues reflecting an increased number of operational sites; and
      - › other costs increased by 0.7% ($4.2m) of revenues, reflecting a challenging insurance market resulting in increased premiums, investment in cyber security and the cost of staff travel that was curtailed due to COVID-19 in FY21.
- IDX declared a fully franked final dividend of 3.0 cents per share (cps), resulting in a total FY22 fully franked dividend of 7.0 cps (FY21: 12.5 cps), representing a 84.9% payout ratio and reflecting the impact of COVID-19 on performance.

Operating performance overview

During FY22 we continued to manage the on-going impacts of COVID-19. Our focus, as always was to keep our patients and employees safe. We continued to secure adequate supply of personal protective equipment for all our sites with strict screening, hygiene, and infection control protocols in place, and have adapted to the new normal for healthcare practices for COVID-19.

Drove organic growth, business integration and further efficiency gains

- Completed and opened Benowa practice on the Gold Coast in October 2021.
- Upgraded MRI at John Flynn Hospital.
- Opened Burleigh Heads practice on Gold Coast in April 2022, which included the installation of the world's first Canon Serve CT as a beta test site.
- Completed and opened O'Connor site in Perth in June 2022, the first metropolitan location in Western Australia. This is a comprehensive location in the southern suburbs of Perth and represents the delivery of the long-term strategy to enter this market.
- Opened Geelong Breast Centre of Excellence in June 2022.

Used digital and AI technology to improve the patient and referrer experience

- Continued to expand the roll-out of proven AI software to improve clinical workflows and patient outcomes across the business under the guidance of the AI Steering Committee, led by Dr Nazar Bokani.
- Commenced introduction of a single, enterprise-wide reporting platform to develop sub-specialty workflows for complex clinical cases to deliver best in class comprehensive reports to referrers and patients.
- Built upon our consolidated reporting platform to provide teleradiology services across both the internal business group and our external reporting contracts.
- Continued to test and enhance cyber-security applications to ensure robust protections in place that remain relevant.
- Introduced a state-of-the-art voice recognition application to build upon our standard templated reporting strategy, to enhance the referrer's clinical experience and improve our report turnaround times.
- Implemented E-referrals in parts of our business to enhance the referrer experience.
- Commenced roll-out of process automation tools to improve the efficiencies of our back of house processes.

Continued to develop our environment, social and governance (ESG) agenda

- Completed our first Scope 3 emission assessment along with further assessment of Scope 1 and 2 emissions, with a view to develop a carbon neutral strategy.
- Commenced the implementation of our ESG Strategy developed in FY21.
- Completed our first supplier screening risk rating review.
- Completed and submitted our second Modern Slavery Statement.
- Developed a 3 year Diversity and Inclusion strategy, prioritising four key focus areas - inclusive culture, careers, leadership and care.
- Began an organisation wide review of all sites' waste management practices under our Operational Waste Management Plan.

Nurtured and developed culture and leadership across our people

- In addition to our leadership programs for our frontline teams, implemented a leadership program for our radiologists.
- In addition to our annual CEO Awards, implemented monthly peer to peer employee recognition programs to celebrate our people living our values and their achievements across IDX.

Evaluated further strategic acquisitions that were a clinical fit, strategically aligned and earnings accretive

- Undertook thorough analyses and due diligence on a number of selected acquisitions in an increasingly competitive market. IDX maintained strong discipline in regard to ensuring that offers made included an assessment of clinical fit, strategic alignment and earning accretion to ensure sustainable value to our shareholders.
- The Company progressed its pipeline of targeted bolt-on acquisitions that expand the business and diversify services to patients in existing geographies. These strategic acquisitions include:
  - The X-Ray Group in Albury Wodonga which completed on 1 November 2021
  - Peloton Radiology in South East Queensland which completed on 1 July 2022
  - Horizon Radiology in Auckland, New Zealand which completed on 1 July 2022
  - Exact Radiology in South East Queensland which is expected to complete in the second quarter of FY23, subject to satisfaction of conditions precedent
- The Company is now focused on integrating these acquisitions well and is not contemplating any further acquisitions at this time.

Capital expenditure

Total expenditure on tangible assets was $31.3m (FY21: $23.1m) of which $9.4m related to equipment replacement and $21.9m related to growth opportunities, including the development of three new sites, being Benowa and Burleigh Heads on the Gold Coast, and O'Connor in Perth, which opened in October 2021, April 2022 and June 2022 respectively.

Acquisitions

The acquisition of The X-Ray Group in Albury Wodonga was completed on 1 November 2021.

The aforementioned acquisitions of Peloton Radiology, Horizon Radiology and Exact Radiology were all signed during FY22 however either have completed or will complete, subject to all required conditions precedent being satisfied, in FY23 as mentioned above.

As disclosed in Note 20, the settlement payment for Earn Out A due to the vendors of Imaging Queensland is subject to the dispute settlement process provided for in the Share and Asset Sale Agreement (SASA).

Taxation

The effective tax rate on operating earnings is 29.7% (FY21: 29.5%).
The effective tax rate on statutory earnings of 35.3% (FY21: 30.9%) is driven by the higher level of non-deductible transaction costs incurred and treated as non-operating transactions.

Cash flows

Free cash flows of $49.1m (FY21: $66.5m) decreased 26.1%. Free cash flow conversion before replacement capex was 78.3% (FY21: 89.1%). The decline in free cash flows is due to the adverse impact of COVID-19 on earnings with minimal working capital movements.

Capital Management

Net debt decreased by $37.1m to $101.5m (FY21: $138.6m). This reflects a combination of the $90m capital raising completed in March 2022, debt drawn down to fund the X-Ray Group, Peloton Radiology and Horizon Radiology acquisitions, operational cashflows and the dividend payment made at the half year.

Net debt to equity at 30 June 2022 was 29% (FY21: 54%) and Net Debt/EBITDA ratio was 1.6x at 30 June 2022 (FY21:1.7x).

At 30 June 2022 IDX had cash reserves of $123.2m and committed facilities of $407m of which $173.6m remained undrawn and with access to a further $105m under an accordion facility. Current debt facilities have a 5-year term to February 2026 and IDX is in compliance with all the covenants under the debt facility.

Earnings per share

On a statutory basis, basic earnings per share decreased by 55.9% to 7.0 cents per share (FY21: 15.8 cents per share). Diluted earnings per share in FY22 considering the FY19, FY20, FY21 and FY22 performance rights issues as well as the New Zealand based Radiologist Option Plan was 6.9 cents per share (FY21: 15.6 cents per share). The decreasing earnings per share at a statutory level is reflective of the decrease in statutory NPAT of 53.5% to $14.6m.

On an Operating NPAT basis, adjusted[1] Diluted Earnings per Share decreased 46.2% to 10.2 cents per share (FY21: 19.0 cents per share).

Dividend

Fully franked dividends paid or declared of 7.0 cents per share (FY21: 12.5 cents per share) totalling $14.9m have been paid or declared for FY22. The decrease in dividends of 44.0% reflects the adverse impact of COVID-19 on performance. A fully franked final dividend of 3.0 cents per share will be paid on 5 October 2022 to shareholders on the register at 2 September 2022. This represents 84.9% of Statutory NPATA (FY21: 71.5%). The dividend reinvestment plan (DRP) will operate with no discount for the FY22 dividend.

1. Operating Diluted EPS calculation has been adjusted to reflect the return on the operating net profit after tax on a LTM basis. Calculating Operating Diluted EPS on this basis provides a normalised measure on which to assess the contribution of the X-Ray Group acquisition in FY22 (FY21: Astra Radiology acquisition).

Regulatory outlook

In Australia, IDX continues to monitor, assess and help shape the regulatory landscape through its participation in the executive of the Australian Diagnostic Imaging Association (ADIA) and radiologist's membership in the Royal Australian and New Zealand College of Radiologists (RANZCR). Our CMO Dr Lisa Sorger is on the RANZCR Faculty Council, the Diagnostic Economics Committee and the Theranostics Working Group. In New Zealand Dr Quentin Reeves' is the president of the Australasian Musculoskeletal Imaging Group (AMSIG) and a New Zealand committee member of the New Zealand branch of RANZCR.

In New Zealand, IDX participates in an association of independent radiologists to closely monitor and assess the regulatory landscape. This is a newly formed association, which plans to operate in a similar manner to ADIA across New Zealand.

In Australia:

- On 29 March 2022 the Federal Government announced the de-regulation of Medicare funded MRI services in regional and rural areas, defined as Modified Monash Model 2-7. As at the date of this report, no further licences or plans for deregulation of MRI licences have been announced.
- Indexation of 1.6% announced and applied to 97% of Diagnostic Imaging Services, including MRI items, from 1 July 2022 against a CPI rate of 6.1%.
- Bulk billing incentive on MRI reduced to 95% of CMBS from 100% from 1 July 2022. This only affects services currently bulk billed to Medicare.
- From 1 November 2021, a new PET item was introduced for the diagnosis of Alzheimer's Disease. Time restrictions on CT scans for colorectal studies were removed. MRI for breast biopsy was changed to allow for co-claiming with ultrasound and biopsy items. MRI for prostate cancer item description now includes an expanded population to allow high risk patients access to this service.
- From 1 July 2022, two new PET items were introduced for patients with prostate cancer. These items allow for the initial staging of intermediate to high-risk patients with prostate cancer.

In New Zealand in FY23 there is limited indexation of pricing, however, we continue to negotiate with a range of funders.

Emerging market practices continue to be challenging in New Zealand, where referrers are acquiring ownership interests in radiology practices or equipment. This is changing the competitor dynamics. IDX is working with the New Zealand Institute of Independent Radiologists, to encourage New Zealand payors and regulators to review these practices against their published guidelines on non-arm's length referrals and will undertake the necessary actions to manage referrer conflicts of interest. IDX supports the upholding of the current published guidelines to ensure that quality is maintained, patient choice is retained, and payors are not subject to over-servicing and unnecessary imaging.

Company outlook

COVID-19 continues to adversely impact healthcare and the Group, which cannot be accurately projected at this time.

The long-term industry fundamentals in Australia and New Zealand are strong and continue to underpin attractive ongoing growth opportunities. Both Australia and New Zealand have growing and ageing populations requiring greater healthcare support. At the same time, community expectations for higher quality diagnosis and care continue to increase, while new imaging technologies improve efficiency and aid diagnosis and early detection of disease.

The Company's focus in FY23 will be to:

- drive organic growth, including through selective price increases, cost efficiencies and select brownfield and greenfield investment opportunities;
- accelerate the use of teleradiology, digital and AI technologies;
- drive our environmental, social and governance (ESG) strategy;
- continue to nurture and develop culture and leadership across our people; and
- focus on integrating recent acquisitions well, with no further acquisitions contemplated at this time.

Balance Sheet

A summary of the balance sheet as at 30 June 2022 and a comparison to the prior year is outlined in the following table:

Balance sheet	30 June 2022 Actual $m	30 June 2021 Actual $m
Cash and cash equivalents	**123.2**	62.2
Trade and other receivables	**19.4**	14.3
Other current assets	**7.8**	5.8
Total current assets	**150.4**	**82.3**
Property, plant and equipment	**124.3**	111.1
Right of use assets – AASB 16	**106.8**	100.4
Intangible assets	**380.5**	344.7
Deferred tax asset	**17.3**	16.3
Investments accounted for using the equity method	**0.2**	0.1
Total non-current assets	**629.1**	**572.6**
Total assets	**779.5**	**654.9**
Trade and other payables	**22.9**	20.3
Current tax liabilities	**(3.6)**	4.5
Borrowings	**5.5**	6.5
Lease obligations – AASB 16	**11.7**	10.4
Contingent consideration	**16.4**	15.9
Provisions	**23.5**	20.3
Total current liabilities	**76.4**	**77.9**
Contingent consideration	**8.2**	7.2
Borrowings	**217.6**	192.2
Provisions	**9.5**	9.8
Lease obligations – AASB 16	**106.2**	99.2
Deferred tax liability	**14.4**	13.8
Total non-current liabilities	**355.9**	**322.2**
Total liabilities	**432.3**	**400.1**
Net assets	**347.2**	**254.8**

- Working capital of ($19.2m) increased by $0.8m.
- Provisions (excluding tax) have increased $2.9m. This increase is partly due to increased employees annual leave provision, with lower than expected levels of annual leave being taken during FY22 due to travel restrictions and higher levels of sick leave being taken.
- Contingent consideration of $24.6m relates to Imaging Queensland $17.9m and the X-Ray Group $6.7m.
- Net debt decreased by $37.1m to $101.5m (FY21: $138.6m). This reflects a combination of the $90m capital raising completed in March 2022, debt draw down to fund the X-Ray Group, Peloton Radiology and Horizon acquisitions, operational cashflows and the dividend payment made at the half year.

Cash flow

A summary of the cash flows as at 30 June 2022 are presented below.

Summary of cash flow	30 June 2022 Actual $m	30 June 2021 Actual $m
Free cash flow	**49.1**	**66.5**
Growth capital expenditure	**(21.9)**	(6.3)
Net cash flow before financing and taxation	**27.2**	60.2
Tax paid	**(17.4)**	(16.7)
Interest and other costs paid on borrowings	**(5.7)**	(4.6)
Net change in borrowings	**24.3**	18.4
Payments for acquisitions	**(24.6)**	(35.4)
Working capital acquired	**(0.5)**	-
Proceeds from the issue of equity	**91.8**	1.8
Deferred consideration paid	**(3.3)**	(0.9)
Dividends paid	**(20.9)**	(17.8)
Transaction costs relating to acquisitions	**(5.5)**	-
Capital raising costs	**(2.9)**	-
Net cash flows	**62.5**	**5.0**

- Free cash flows of $49.1m are $17.4m or 26.1% lower than FY21, which is reflective of the adverse impact of COVID-19 on performance.
- Growth capital expenditure was $21.9m.
- Dividends of $21.9m (10.5 cents per share fully franked) were paid in FY22.
- Transaction costs relating to acquisitions of $2.2m were included in Free cash flow in FY21.

Business risks

IDX has a Risk Management Framework that is used to identify the IDX risk profile, setting out the way key risks are assessed, managed, monitored, measured and reported. IDX's core risks are described below and these risks are continuously assessed and reported on monthly. This is not a comprehensive list of all actual and potential risks that may impact IDX's financial and operating results in future periods.

<table>
<tr><th>Risk Area</th><th>Risk Management Strategy</th></tr>
<tr><td colspan="2">COVID-19</td></tr>
<tr><td>Recurrence of declines in revenue and increase in costs, due to:
Intermittent community lockdowns or restrictions impacting elective surgery, sport, medical (including GP) and allied health visits, and travel in the geographies in which we operate.
Significant COVID-19 breakouts among employees requiring sites to shut down for prolonged periods and/or resulting in higher than normal sick leave and associated costs.
The Company does not take adequate precautions or fails to follow Government directives to manage the risk of COVID-19 infection to staff and patients.
Potential adverse impacts on our highly skilled workforce through prolonged or recurring restrictions.</td><td>Proactive monitoring of the COVID-19 situation in all jurisdictions in which IDX operates to stay up to date.
Regular reporting to the Board and Senior Management.
Ongoing maintenance of infection control and safety process for patients and staff, designed to reduce the likelihood of staff contracting COVID-19 or the spread of COVID-19 between staff and patients in our locations, to ensure continuity of service to patients and control over costs, including overtime, allowances and sick leave.
Ongoing maintenance of protocols that enable the Company to quickly respond to a COVID-19 situation and ensure that any affected sites are able to be cleaned and reopened as soon as possible, to ensure continuity of service to patients and control over costs, including overtime, allowances and sick leave.
Where possible over time move to a more variable cost model, particularly for labour, and appropriately and selectively increase prices to partially offset inflation in the cost base.</td></tr>
<tr><td colspan="2">Strategic Growth</td></tr>
<tr><td>Mergers and acquisitions. It is IDX's strategy to drive growth organically and through mergers and acquisitions (M&A). This strategy may place significant demands on management, resources, internal controls and systems, resulting in the failure to realise anticipated benefits or effectively integrate acquisitions.</td><td>Program of oversight for M&A activity, due diligence and integration led by the M&A Working Group.
Detailed due diligence processes and procedures, including the development of integration and resourcing plans.
Engagement of external advisors to ensure risks, challenges and opportunities of acquisitions have been identified.</td></tr>
<tr><td>Future acquisition pipeline. IDX has a mature process that regularly reviews a number of acquisition opportunities that may be at various stages of evaluation. Risks exist regarding whether identified acquisitions are able to be completed on terms and conditions that deliver appropriate returns to stakeholders in line with the Company's strategy.</td><td>On-going analysis undertaken for prospective M&A opportunities to determine scope, fit and likelihood of success.
Engagement of external advisors to assist in monitoring and assessing market activity and the impact on potential acquisitions.</td></tr>
</table>

Risk Area	Risk Management Strategy
Earn out management. IDX has a number of earn out arrangements from acquisitions, which are subject to interpretation of contract terms and a level of judgemental measurement and agreement with vendors.	• Engagement of external advisors to ensure the structure of earn out arrangements in sale agreements are appropriate and that earn out calculations are in accordance with the contract terms. • Use of finance capabilities within IDX to ensure the underlying data used to calculate earn outs is complete and accurate.
Maintaining strong referrer relationships. The risk of a material loss of, or lack of growth in, referrals to IDX would impact financial and operational performance of the Company, especially given that a significant percentage of IDX's costs are fixed meaning that an adverse change in revenue could have a disproportionate adverse impact on operating profit.	• Maintenance of existing relationships across IDX's referrer network through a process of continuous engagement. • Continuous investment in new technology to enhance access and service for referrers and patients. • Clinical Leadership Committees are established in each business unit, which are supported by the CMO and COO to drive clinical governance to support referrer confidence.
Performance of greenfield and brownfield initiatives to drive growth. IDX regularly invests in greenfield and brownfield initiatives to support growth within our existing business units. There is a risk that these investments do not perform as expected.	• Established processes for business case development, review and approval, including alignment of business cases to strategic objectives. • Regular reporting to Senior Management and the Board on performance against business cases.
Equity and debt funding and refinance. The risk that IDX is unable to access equity capital or refinance, repay or renew its debt facilities or otherwise obtain debt finance on favourable terms in order to meet its growth objectives, which could adversely affect IDX's business and financial condition. IDX is also exposed to increases in interest rates, which would increase the cost of servicing IDX's debt finance.	• Ensuring that IDX maintains an appropriate equity and debt capital structure with long dated debt maturities. • Monitoring and management of leverage to ensure compliance with borrowing covenants. • Monitoring and management of interest rate risk.
Regulation and Contracts	
Funding change to revenue stream. Changes to funding and government policies and regulations may have a material adverse impact on the financial and operational performance of the Company, especially given that a significant percentage of IDX's costs are fixed, meaning that an adverse change in revenue could have a disproportionate adverse impact on operating profit.	• Regular monitoring of funding and regulatory changes and industry developments. • Membership of, and participation in, the Australian Diagnostic Imaging Association. • Participation in a discussion group with other private radiology providers in New Zealand. • Membership of, and participation in, the Royal Australian New Zealand College of Radiologists.
Regulatory compliance. Not meeting industry or regulatory compliance requirements may lead to the loss of licenses and accreditation and the inability to provide services or offer rebates which will reduce the provision of services.	• Use of internal and external audit functions to provide assurance that compliance obligations in key areas are being met. • Regular monitoring of compliance by Senior Management across key areas, including regular reporting to the Company's Audit, Risk and Compliance Committee (ARCC) and to the Board.
Contracts and service agreements. Contracts and service agreements may be breached, terminated or not renewed resulting in loss of revenue and operating profit.	• Regular review of all IDX contracts to ensure completeness of information, renewal dates, contract owners and performance against SLA's.
Property leases. IDX has 83 property leases across the Group, including 78 operational and 5 corporate sites. There is a risk that we may not always be able to come to commercially acceptable terms with landlords in order to renew property leases.	• Continual management and renegotiation of leases throughout the normal course of business. Where commercially acceptable terms are not available, IDX will seek alternative leasing options.

Risk Area	Risk Management Strategy
Governance, Risk and Compliance	
Clinical risk management. The risk of patient harm due to human error or a lack of effective clinical governance and processes.	• Establishment of the Company's Integral Clinical Leadership Committee (ICLC) to manage and advise on clinical governance matters, including patient care, clinical standards and quality assurance. • Consistent clinical risk and incident reporting process in place across the Company and business units, with a focus on reviewing incident data and resulting recommendations at all management levels, through to the Board. • Appointment of CMO to further strengthen focus on clinical governance within IDX. • Maintenance of appropriate insurance arrangements, including in relation to medical malpractice.
Health and safety. The risk of harm to employees due to a lack of effectiveness in workplace health and safety systems.	• Establishment of a group wide Safety Management System in line with industry standards. • Provision of specific training programs for all staff to build knowledge and capability on safety matters, including hazard identification, risk management and incident reporting. • Investment in injury prevention programs. • Regular incident reporting to Senior Management and the Board on health and safety matters.
Privacy and confidentiality. The Company relies on secure processing, transmission and storage of confidential, proprietary and other information in its IT infrastructure. The loss or misuse of personal information, or inadequate and insecure data protection and privacy protocols, may result in a breach of a patient or referrer privacy and confidentiality.	• Consistent privacy policies and practices in place across the Company that have been reviewed by external privacy experts to ensure compliance with the required laws in Australia and New Zealand. Provision of training for staff tailored to roles and responsibilities. • Appointment of an IDX Privacy Officer. • Regular internal checks for privacy process compliance. • Engagement with key partners and third parties to ensure appropriate privacy provisions are in place. • Cyber security and IT infrastructure controls in place and continually reviewed.
Insurance. The risk that insurance arrangements do not cover all claims and/or that insurance will not be available in the future on commercially reasonable terms.	• Insurance cover is maintained by IDX consistent with industry practice, including in regards to workers compensation, business interruption, property damage, public liability, professional indemnity, cyber attacks and medical malpractice.
Business Continuity, **disaster recovery and crisis management**. The risk of an ineffective response to a business continuity or disaster recovery event impacting on operations, patients, and other stakeholders. This includes IDX's ability to respond and adapt to the spread of COVID-19.	• Business Continuity (BCP) and Disaster Recovery (DR) plans in place for key areas such as Business Unit Plans, IT recovery, Covid-19 responses etc. • Establishment of a Business Continuity Steering Committee to drive continuous improvement in BCP and DR. • Testing of BCP and DR scenarios.
Environmental, social and governance (ESG) standards. The risk that evolving community attitudes towards, and increasing regulation and disclosure in relation to, ESG issues may adversely impact the operation of IDX's business.	• IDX publishes an Environment, Social and Governance Report with a focus on identifying and analysing the status of significant ESG areas for IDX. • Some of the areas of focus for IDX include greenhouse gas emissions, waste management, radiation doses, employee relations, culture, health and safety, diversity and inclusion, arrangements with suppliers and community interaction and contributions.

Risk Area	Risk Management Strategy
Technology and Security	
Contemporary technology and innovation. The failure to adapt or respond to contemporary disruptive innovations and technologies will see an increase in competition and a decline in referrals.	• CIO is a key member of the Senior Leadership Team (SLT). • Proactive monitoring of technology developments and changes. • Continued focus on nurturing existing relationships with technology business partners and vendors to keep abreast of market changes. • Investment in leading edge/premium technology and equipment.
Cyber security. The risk of a material cyber security event or attack on IDX, or the inability of IDX to respond to the continually evolving threats affecting its operations and involving significant remediation resources.	• Provision of cyber security training including phishing training and simulations for staff. • Performance by external party of ongoing penetration testing to ensure protections are relevant to increasing threats. • Regular meetings of Cyber Security Steering Committee. • Alignment of the Company's cyber security framework and controls to industry standards. • Inclusion of cyber security events in BCP and DR planning.
Recruitment and Retention	
Attraction and retention of talent. The risk of an inability to attract and retain quality radiologists, management and staff due to competition across the market, geographical location of some sites or other factors.	• Investment in employee engagement, professional development and culture building activities across IDX. • Implementation of a Leadership Capability Framework and a Performance and Development Framework. • Provision of People and Culture support across the Company for all staff, including an Employee Assistance Program.
Industrial relations and wage pressure. The risk that disputes arise with employees who are covered by enterprise bargaining agreements (EBAs), other workplace agreements and employment contracts, which periodically require negotiation and renewal. This could lead to disruptions to IDX's operations, increased direct and indirect labour costs, which could lead to reduced profitability, and/or cause damage to IDX's reputation.	• Investment in employee engagement, professional development and culture building activities across IDX. • Annual reviews and appropriate benchmarking of employee remuneration to ensure appropriate and competitive with relevant market conditions. • Constructive engagement with employee unions to ensure fair outcomes are achieved in regards to EBAs.
Market Trends	
Changing market trends. The risk that changing trends in the radiology market, in both Australia and New Zealand, eg the emergence of specialist groups such as cardiology purchasing their own diagnostics equipment, or new market entrants, will have a negative impact on market share and revenue, especially given that a significant percentage of IDX's costs are fixed meaning that an adverse change in revenue could have a disproportionate adverse impact on operating profit.	• Proactive monitoring of changes in the market including to stay abreast of and responding to identified changes.

Risk management

The Company's Risk Management Framework is overseen by the ARCC and is actively managed by the members of Senior Management with input from the ICLC. The framework is consistent with ISO 31000:2018 Risk Management – Guidelines and is subject to review at least annually.

The framework is used to enable a consistent and rigorous approach to identifying, analysing and evaluating risks.

Fundamental to the Company's risk management framework is its risk appetite statement. The Board's risk appetite is aligned to the risk culture of the Company including:

- its vision and values;
- IDX's strategic plan and goals;
- its service commitment;
- the underlying patient and referrer demographic; and
- the financial and budget environment in which the Company is operating.

During FY22 we continued to review, assess and strengthen our policies and procedures over our processes and controls in relation to health and safety, privacy and confidentiality, and cyber security. Ongoing reviews consider how our approach meets best practices in line with our industry profile, and how risks are being managed to ensure the best outcomes for all stakeholders. We will continue this review in FY23 as well as implementing identified improvements.

A key component of the Company's risk management is clinical governance, which is managed through the ICLC and Business Unit Clinical Leadership Committees (BU CLCs) under the ICLC Charter. A copy of the ICLC Charter can be found on the Company's website: www.integraldiagnostics.com.au/corporate-governance

The ICLC Charter provides a framework for the ICLC and BU CLCs to work together to develop and implement policies and work practices to enable clinical best practice. The responsibilities of the ICLC include reviewing any recommendations arising from any adverse incidents from the BU CLCs and to share learnings to prevent recurrence.

The ICLC works within the Clinical Governance and Quality Framework, which is the overarching framework directing the delivery of safe and high-quality diagnostic imaging services across the Group, while maximising outcomes for patients and referrers through quality of care, continuous improvement, risk mitigation and fostering an environment of excellence in care.

The Clinical Governance and Quality Framework is supported through the elements of governance and leadership, systems and structures, roles and responsibilities, culture and transparency, and performance review and reporting. The principles of the Clinical Governance and Quality Framework meet the requirements of *ISO 9001:2015 Quality Management Systems – Requirements* and *ISO 31000:2018 Risk Management – Guidelines*.

A copy of the Company's Audit Risk and Compliance Committee Charter can be found on the Company's website: www.integraldiagnostics.com.au/corporate-governance

REMUNERATION REPORT

For year ended 30 June 2022

Introduction from the People and Remuneration Committee Chair

Dear Shareholders,

On behalf of the Board, I am pleased to present the Remuneration Report for the 2022 financial year. We will seek your approval of the report at our Annual General Meeting to be held on 4 November 2022.

Our executive remuneration framework has always sought to achieve the key objectives of being:

- competitive, fair and equitable;
- linked to performance and consistent with the Group's values and strategy;
- aligned with the interests of shareholders and other stakeholders; and
- applied with appropriate transparency, particularly in relation to KMP.

This year the disappointing financial outcomes for shareholders has been reflected in the STI and LTI outcomes. The Company did not achieve the threshold achievement level for the financial component of the FY22 STI awards. The non-financial component of strategic objectives and priorities were subject to a financial gateway condition, which was not achieved. Reflecting the disappointing outcome for shareholders, the Board declined to exercise its discretion to make any STI awards for these non-financial strategic objectives and priorities notwithstanding significant outcomes achieved by the executive.

In FY23 the non-financial award portion of the STI has been amended to include sustainability goals to support the Group's ongoing achievements of its ESG strategy. We recognise that our patients, people, culture and risk management are integral to our ongoing success and ability to differentiate in an increasingly competitive market. Sustainability goals include measures related to patient satisfaction, employee engagement, safety and injury prevention, employee turnover and environmental impact. To further emphasise the importance of sustainability, the Company has also introduced a risk, compliance and conduct gateway to the granting of any STI award in FY23.

Due to the significant decline in underlying EPS, the Threshold vesting level of EPS for the FY19 LTI performance rights was not satisfied. Having regard to the severe impact of COVID-19 on the business during FY22, which was seen as an extreme circumstance outside managements' control, the Board has exercised its discretion under the terms of those rights and decided to allow re-testing of the FY19 LTI Performance Rights at the end of FY23. The Threshold and Stretch levels of achievement on that re-test will be determined by applying the CAGRs (5% and 12% respectively) over the full 5 years.

Since our last report, the Board has also reviewed the executive remuneration framework for FY23, taking into account feedback and comments from investors. The following key decisions from that review should be noted:

- the fixed remuneration of the executive KMP has not been increased;
- STI award will be subject to a risk, compliance and conduct gateway;
- the potential available under the STI awards has increased, with 50% of any award deferred into equity subject to a one year holding and employment retention requirement;
- in addition to strategic goals, sustainability goals will be introduced into the STI non financial award goals;
- the testing period for the FY23 LTI Performance Rights has been reduced to 3 years and the provision allowing re-testing has been removed; and
- two new performance targets – relative TSR and average ROIC – have been introduced for the FY23 LTI Performance Rights alongside EPS growth.

The reasons for these decisions are discussed in more detail in our report.

We look forward to your support and welcome your feedback on our Remuneration Report.

John Atkin

People and Remuneration
Committee Chair

REMUNERATION REPORT
For year ended 30 June 2022

The Remuneration Report, which has been audited, outlines the Director and Executive KMP remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key Management Personnel (KMP) of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors. The table below lists the KMP for the year ended 30 June 2022 (FY22). All KMP held their position for the duration of FY22, unless otherwise noted.

Name	Position
Non-Executive Directors	
Helen Kurincic	Independent, Non-Executive Chair
John Atkin	Independent, Non-Executive Director
Rupert Harrington	Independent, Non-Executive Director (ceased KMP position 20 December 2021)
Raelene Murphy	Independent, Non-Executive Director
Executive Directors	
Dr Ian Kadish	Managing Director and Chief Executive Officer
Dr Jacqueline Milne	Executive Director
Dr Nazar Bokani	Executive Director (commenced KMP position 26 April 2021)
Executives	
Anne Lockwood	Chief Financial and Commercial Officer (ceased KMP position 30 January 2022)
Paul McCrow	Chief Operating Officer (commenced KMP position 1 November 2020)
Craig White	Chief Financial Officer (commenced KMP position 24 January 2022)

The Remuneration Report is set out under the following main headings:

a. **Overview of Executive Remuneration Framework**
b. **Alignment of remuneration with Company performance**
c. **Remuneration outcomes for FY22**
d. **Adjustments in remuneration settings for FY23**
e. **Cumulative interest of Executives under the LTI program**
f. **Other transactions with KMP and their related parties**
g. **Executive service agreements**
h. **KMP shareholding and minimum shareholding policy for KMP**

a. Overview of Executive Remuneration Framework

The Board of Directors ('the Board') work to ensure that Executive reward satisfies the following key criteria:

- competitive, fair and equitable;
- linked to performance and consistent with the Group's values and strategy;
- aligned with the interests of shareholders and other stakeholders,
- appropriate transparency in application, particularly to KMP.

The Company's remuneration policy for Non-Executive Directors (NEDs) aims to ensure that the Company can attract and retain suitably qualified and experienced NEDs and recognises the specific governance of this medical specialist company and the higher workload with four independent NEDs.

Remuneration Framework

The objective of the Group's Executive reward framework is to align Executive reward with the achievement of strategic objectives, the creation of value for shareholders and ensure the reward for performance is competitive and appropriate for the results delivered.

Figure 1 outlines the components of Executive KMP remuneration and their purpose.

Figure 1:

FY22 KMP Remuneration Framework			
Fixed Remuneration Cash, superannuation, non-monetary awards			
STI Cash			
LTI Performance rights converted to shares after 4 years			
Year 1	Year 2	Year 3	Year 4

Remuneration Components		
Fixed	**Variable 'at risk'**	
Fixed Remuneration	Short Term Incentive	Long Term Incentive
Purpose and Alignment		
Market competitive to attract and retain talent.	To drive achievement of short term financial, strategic and sustainability priorities as agreed by the Board.	To reward and incentivise Executive KMP to drive sustained creation of shareholder value.
Value to Individual		
• Fixed market remuneration is comparable to market. The market is defined around similar companies based on revenue, comparable industries and business size. • Fixed remuneration may deviate from the market depending on individual alignment to capabilities, experience and performance.	• Operating NPAT gateway determines capacity to pay. • Awards are based on financial performance, individual performance of strategic KPIs and organisational performance of sustainability KPIs. • Board discretion to moderate award for factors such as alignment to values, behaviours and risk management.	• Vesting is based on achievement of earnings per share (EPS) performance against targets.

People and Remuneration Committee

The People and Remuneration Committee (PRC) is governed by the PRC Charter and is responsible for reviewing and recommending to the Board compensation arrangements for the Non-Executive Directors, Executive Directors, other KMP and Senior Management including:

a. contract terms, annual remuneration and participation in any short and long-term incentive plans;
b. major changes and developments in the Company's remuneration, superannuation, talent attraction, retention and termination policies and procedures;
c. remuneration strategy, performance targets and bonus payments for the CEO and the Executives that report to the CEO; and
d. remuneration arrangements for the Chair, Non-Executive and Executive Directors of the Board.

The PRC also reviews and makes recommendations to the Board in regards to 'people' by monitoring and reviewing the Senior Management performance assessment process, reviewing major changes and developments in the personnel practices and industrial relations strategies of the Group, senior leadership succession planning, and overseeing the effectiveness of the Diversity Policy.

The following Non-Executive Directors, all of whom are regarded as independent, were members of the PRC for the full FY22 financial year, unless otherwise stated:

John Atkin – Chair	Independent, Non-Executive Director
Helen Kurincic	Independent, Non-Executive Director
Rupert Harrington	Independent, Non-Executive Director (ceased KMP position 20 December 2021)
Raelene Murphy	Independent, Non-Executive Director

Use of remuneration consultants

The Board ensures that any recommendations made by consultants in relation to remuneration arrangements of KMP must be made directly to the Board without any influence from management. The arrangements in place ensure any advice is independent of management and includes management not being able to attend Board or Committee meetings where recommendations relating to their remuneration are discussed.

The Board did not engage any remuneration consultants during the financial year.

Non-Executive Directors' remuneration arrangements

Under the Constitution, the Board determines the remuneration to which each Director is entitled for his or her service as a Director. However, the total aggregate amount provided to all Non-Executive Directors for their services as Directors must not exceed in any financial year the amount fixed by the Company in general meeting. This amount has been fixed at $1,000,000.

Fees to Non-Executive Directors reflect the demands and responsibilities of their role, the specialist nature of a diagnostic imaging business and the deliberate structure of our Board with four independent Non-Executive Directors and two Executive Directors employed as radiologists. Non-Executive Directors' fees are reviewed periodically by the PRC. The PRC may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees are appropriate and in line with the market.

The Chair's fees are determined independently from the fees of other Non-Executive Directors based on comparative roles in the external market and the specific nature of the expertise and role for this company. Non-Executive Directors do not receive share options or other incentives and their remuneration must not include a commission on, or a percentage of, operating revenue.

Radiologist Executive Directors' remuneration arrangements

Dr Jacqueline Milne and Dr Nazar Bokani are deemed to be Executive Directors as they are employed as radiologists by the Group. However, it is important to note that they do not report to the Chief Executive or the other Executives. The key terms of their employment contracts are consistent with employed radiologists and include a fixed salary at market rate plus allowances where appropriate and in line with market.

In addition, they receive an Executive Director Board fee which is set by reference to the fees paid to the Non-Executive Directors.

Executive remuneration arrangements

The Executive remuneration and reward framework for the 2022 financial year had three components:

- fixed remuneration (including base salary and superannuation) and non-monetary benefits;
- short-term performance incentives; and
- long-term performance incentives.

The combination of these comprises the Executives' total remuneration.

An Executive's remuneration arrangement is reviewed annually by the PRC, based on individual and business performance, the overall performance of the Group and comparable market data. At risk remuneration consists of the short-term (STI) and long-term (LTI) incentive programs, which have been designed to align Executive remuneration with the creation of shareholder value through achievement of strategic and financial objectives.

Remuneration mix

The target remuneration mix is shown below. It reflects the STI opportunity that will be available if the performance conditions are satisfied at target, and the face value of the LTI performance rights granted during the year, as determined at grant date. The target remuneration mix has a deliberate weighting to the LTI consistent with the Company's strategy of delivering increased earnings per share over the longer term.

Executive	Fixed remuneration (%)	STI (%)	LTI (%)	Total remuneration
Dr Ian Kadish	45%	11%	44%	100%
Craig White	49%	11%	40%	100%
Paul McCrow	58%	14%	28%	100%
Anne Lockwood	77%	23%	-	100%

Fixed remuneration	
Delivery mechanism	• 100% cash payment including base salary, allowances, other non monetary and fringe benefits and employer superannuation contributions.
Considerations	• Role scope and complexity. • The Executive's skills and experience.
Strategic objective	• Industry benchmarking.
Governance	• Fixed remuneration is reviewed annually by the PRC with regard to market rates and individual performance and is approved by the Board. • There are no guaranteed increases to fixed remuneration in employment contracts.

Short term incentive (STI)	
Delivery mechanism	• 100% cash payment.
Performance period	• The FY22 STI targets were set at the commencement of FY22 and assessed by the PRC after the end of the financial year, based on the Company's audited annual results and individual performance against non-financial targets.
Gateway, modifier and performance measures	Gateway • A gateway is in place for all Executives, which means a minimum Operating NPAT target must be achieved before any STI will be paid, unless Board discretion is applied. Modifier • Behavioural adherence to core values of the Company is an explicit modifier. • Additional FY22 modifier of employee engagement Financial performance target • 50% of STI will be available based on achievement of year-on-year Operating NPAT growth. • Operating NPAT growth was selected because it is linked to the creation of shareholder returns. Strategic priority targets • 50% of STI will be available on achievement of non-financial strategic objectives and priorities identified by the Board. Measures to assess performance against those objectives are also set at that time. The PRC reviews each Executive's performance against these metrics to ensure Executives consider non-financial objectives when making strategic decisions. All are essential to positive outcomes for the Company and its stakeholders.
STI opportunity	Maximum STI opportunities are outlined below: **Executive** — **Maximum opportunity** Dr Ian Kadish — 25% of fixed remuneration Paul McCrow — 25% of fixed remuneration Anne Lockwood[1] — 25% of fixed remuneration Craig White[2] — 25% of fixed remuneration
Strategic objective	• The Financial Performance Target and Strategic Priority Targets were chosen because they are aligned with the short-term objectives of the business, while being consistent with the long-term strategy of the Company.
Governance	• Performance measures and objectives are clearly defined and measurable. • Targets are recommended by the PRC and approved by the Board. • Any incentive payment is not an entitlement and provided at the complete discretion of the Board.

1. Anne Lockwood ceased as KMP on 30 January 2022 - any FY22 STI opportunity was provided on a pro rata basis
2. Craig White commenced as KMP 24 January 2022 - any FY22 STI opportunity was provided on a pro rata basis

Long term incentive (LTI)

Strategic objective	• The LTI Plan is designed to encourage Executives to focus on the key performance drivers, which underpin sustainable growth in shareholder value within the boundaries of the Company's risk management framework. It is also designed to align the interests of Executives with the interests of shareholders, by providing an opportunity for Executives to receive an equity interest in the Company.
LTI award	• Each year the LTI award is delivered in the form of zero exercise priced options (Performance Rights). • The number of Performance Rights granted to participants is determined by use of a face value methodology. In the absence of special circumstances warranting another pricing method, a participant's LTI award is divided by the 30-day VWAP for the period up to and including 30 June in the prior financial year and rounded up to the nearest whole number to determine the number of Performance Rights granted. • Each Performance Right entitles the holder to one ordinary share in the Company (or an equivalent cash payment in lieu of an allocation of shares) subject to the satisfaction of an earnings per share performance condition. Performance Rights are granted by the Company at no cost to the participant and no payment is required to be made on vesting and exercise of the Performance Rights. • Performance Rights will automatically be exercised on vesting. • Performance Rights do not carry any voting or dividend entitlements prior to vesting and exercise.
Performance Period	The FY22 LTI Performance Rights will be tested based on performance over a four year period commencing on 1 July in the year they are granted.
Performance condition and measures	The FY22 Performance Rights will vest subject to the satisfaction of an earnings per share (EPS) performance condition. The EPS performance condition will be measured by reference to the compound annual growth rate (CAGR) of the Company's EPS over the Performance Period. EPS measures the earnings generated by the Company attributable to each share on issue on a fully diluted basis. The EPS performance condition was selected because of its correlation with long-term shareholder return and its lower susceptibility to short-term share price volatility. Calculation of EPS, the CAGR of the EPS and achievement against the performance condition will be determined by the Board in its absolute discretion, having regard to any matters that it considers relevant (including any adjustments for unusual or non-recurring items that the Board consider appropriate). The Threshold and Stretch target levels of achievement are reviewed each year at the time of grant. The vesting at Threshold is 20% and the Threshold target is set at a level which the Board regards as readily attainable. The Stretch target is set at a level which the Board regards as demonstrating clear outperformance. Full vesting occurs when performance equals or exceeds Stretch. For FY22 and prior years the Board settled on a single measure of performance for the LTI, after considering the Company's strategy and the risks of having only one measure. In short the Board took the view that if management were successful in achieving compound EPS growth at or towards stretch, shareholders could reasonably expect to see an increase in dividends, and over the longer-term share price appreciation in line with of ahead of market indices. The approach adopted for FY23 is explained later in the report.

Long term incentive (LTI)	
Assessment of performance condition	• EPS growth rate is to be calculated with reference to underlying earnings (operating[1]).
Testing of performance condition	• Testing of the Performance Rights is expected to occur, shortly after the end of the Performance Period. • Any Performance Rights that vest will be automatically exercised, and participants are not required to pay an exercise price. Any remaining Performance Rights that do not vest will lapse. • If some of the FY22 Performance Rights fail to vest following testing after the end of the Performance Period due to some extreme event or circumstance, the Board may decide to re-test the performance condition at the end of a further one-year period. Any Performance Rights that do not vest after the re-test will lapse immediately. • In any re-test, the Threshold and Stretch levels of achievement will be determined by applying the CAGRs as specified by the Board at the time the Rights were granted over the full 5 years. In other words, to achieve Stretch, the EPS achieved would need to equal or exceed the level representing 5 years of compound growth at the relevant rate. • In exercising its discretion to re-test, the Board will be mindful of ensuring the re-test does not unfairly advantage management or disadvantage shareholders.
Additional restrictions	• Participants in the LTI Plan may elect to place an additional dealing restriction, by way of a holding lock, foregoing the right to trade on any shares they may receive on vesting and exercise of the Performance Rights. • The minimum additional restriction periods that may be chosen range from 1 to 7 years after vesting.
Treatment of cessation[2]	• Where a participant ceases employment for cause or due to resignation (other than due to death, permanent disability or serious illness) all unvested Performance Rights will lapse. • In all other circumstances, a pro-rata portion of Performance Rights (based on the portion of the Performance Period that has elapsed) will remain on foot and be subject to the original performance condition (including that the Performance Rights will be eligible for re-testing), as though the participant had not ceased employment, unless the Board determines otherwise.
Change of control[3]	• Where there is a takeover bid or other transaction, event or state of affairs that in the Board's opinion is likely to result in a change of control of the Company, the Board has the discretion to accelerate vesting of some or all of the Performance Rights (but not less than a pro-rata portion calculated based on the portion of the Performance Period that has elapsed and tested based on performance against the performance condition to that date). Where only some of the Performance Rights are vested on a change of control, the remainder of the Performance Rights will immediately lapse. • If an actual change of control occurs before the Board exercises its discretion, a pro-rata portion of the Performance Rights (equal to the portion of the relevant Performance Period that has elapsed up to the change of control) will be tested based on performance against the performance condition to that date. The Board retains a discretion to determine whether the remaining unvested Performance Rights will vest or lapse.
Forfeiture and clawback	• The Board has broad 'clawback' powers to determine that any Performance Rights granted under the LTI Plan may lapse, shares allocated on vesting and exercise be forfeited, or cash payments or dividends be repaid in certain circumstances (e.g. in the case of fraud or gross misconduct). This protects the Company against the payment of benefits where participants have acted inappropriately.
Governance	• The performance condition and objectives are clearly defined and measurable. • Any grant is not an entitlement and provided at the complete discretion of the Board.

1. Operating NPAT is defined as NPAT before non-operating transactions and as included in the Operating and Financial Review.
2. For each of the FY19, FY20 and FY21 grants the Board has determined that if the CEO ceases employment and he is deemed by the Board to be a "Good Leaver", his full FY19, FY20 and FY21 Performance Rights would stay on foot. The Board has made the same determination in relation to CFCO's FY19 and FY20 Performance Rights and the COO's FY20 and FY21 Performance Rights. The Board has made the same determination in relation to the CFO's FY22 Performance Rights.
3. The Board has also determined that, absent of malus, if there is a change of control it would exercise discretion to fully accelerate vesting of FY19 , FY20 and FY21 Performance Rights held by the CEO. The Board has made the same determination in relation to the FY19 and FY20 Performance Rights held by the CFCO and the COO's FY20 and FY21 Performance Rights. The Board has made the same determination in relation to the CFO's FY22 Performance Rights.

b. Alignment of remuneration with Company performance

The Company aims to align its Executive remuneration to its strategic and business objectives and the creation of shareholder value. The table below shows measures of the Group's financial performance over the last four years. Consistent with Company strategy, the table shows the Company performance over that period.

The link between the Company's performance and STI and LTI outcomes is considered in the sections below.

Key measures of the Group	FY22	FY21	FY20	FY19	FY18[1]
Operating EBITDA as a % of revenue[2]	**20.8%**	26.8%	27.6%	22.9%	20.3%
Operating NPAT as a % of revenue[3]	**6.0%**	10.9%	11.4%	11.1%	9.7%
Operating EPS[4]	**10.2cps**	19.0cps	16.6cps	16.2cps	12.6cps
Return on operating assets[5]	**10.7%**	14.7%	13.9%	17.9%	14.5%
Closing share price[6]	**3.03**	5.20	3.90	3.16	3.02
Dividends paid or declared per share	**7.0cps**	12.2cps	9.5cps	10.0cps	8.0cps
Declared dividend payout ratio[7]	**84.9%**	68.8%	80.0%	74.7%	79.6%

1. Key measures for the period are measured on a pre-AASB 16 basis.
2. Operating EBITDA defined as EBITDA before non-operating items.
3. Operating NPAT defined as NPAT before non-operating items.
4. Operating Diluted EPS calculation in FY20 has been adjusted to align with the settlement date of the Imaging Queensland acquisition being 1 November 2019 and provide a more accurate reflection of the underlying EPS in that period by increasing the Diluted EPS by 0.3cps to 17.0cps. The FY22 Operating Diluted calculation reflects the impact of the capital raising completed in March 2022.
5. Return on operating assets for FY20 has been calculated using the LTM organic operating NPAT (plus trailing acquisitions NPAT) of $33.8m
6. The opening share price on 21 October 2015 was $1.91.
7. Dividend payout ratio is calculated on statutory NPAT adjusted for non-cash customer contract amortisation

c. Remuneration outcomes for FY22

Non-Executive Director and Executive Director Board fees for FY22

For FY22 the Board determined that Non-Executive Director fees would be altered from a bundled fee to a base fee, a committee fee, a committee chair fee and a fee for convening the Merger and Acquisitions Working Group.

The following annual fees were paid to Executive Directors, Non-Executive Directors and the Chair for their services:

- for Executive Directors (excluding the MD/CEO), $68,750;
- for Non-Executive Director, a base fee of $100,000;
- for committee members, a fee of $12,500 per committee;
- for committee chairs, a fee of $25,000;
- for convening the Mergers & Acquisition Working Group, a fee of $12,500, and
- for the Chair, $285,000 (inclusive of all Committee Chair and Committee member roles).
- All Non-Executive Directors' fees include superannuation where applicable.

The PRC has recently reviewed Director's fees and determined that there will be no change in these fees for the 2023 financial year.

Executive Remuneration

As disclosed in last year's report, the remuneration for the CEO, CFCO and COO for FY22 was reviewed having regard to growth in the size and complexity of the business in FY21, the strong performance of the Executive KMP in role, outcomes achieved for shareholders and other stakeholders, and market benchmarks.

The fixed remuneration for the CEO for FY22 was increased by 9.7% to $790,000, the CFCO by 8.6% to $543,000 and the COO by 5% to $393,750. In the Board's view the increases were warranted by the factors mentioned above and still placed the Executive KMP fixed remuneration appropriately by reference to comparable benchmarks. In assessing the reasonableness of the fixed remuneration of the Executive KMP the Board also thought it important to bear in mind the overall remuneration structure, which had a relatively low level of STI potential that remained at 25% of their fixed remuneration and a higher weighting to the longer term, with a four year LTI at 100% and 75% of their fixed remuneration respectively.

To align with the ongoing development of the Group's ESG strategy and to emphasise the importance of sustainability, the FY22 STI award was subject to a sustainability modifier KPI related to employee engagement. This modifier KPI was in addition to the Board's discretion to moderate any award for factors such as alignment to values, conduct and risk management.

The CFCO resigned effective 30 January 2022 and her fixed remuneration, including any statutory leave accrual owed, was paid until her effective resignation date on a pro rata basis. Ms Lockwood received termination benefits calculated in accordance with the *Corporations Act 2001* of $405,993. These benefits comprised of the Board exercising its discretion to keep on foot, subject to subsequent tesing in accordance with their terms of issue, the FY19, FY20 and FY21 performance rights that had been granted to Ms Lockwood, together with some token gifts for her years of service.

Craig White was employed by the Group as CFO on 24 January 2022. The CFO's fixed annual remuneration for FY22 was set at $620,000 per annum, paid pro rata for the period of his employment, after consultation with the recruiting firm engaged at the time and after consideration of benchmarking information available to the Company.

For a short period after her resignation date, Ms Lockwood was retained by the Group as an independent contractor to assist with acquisitions and received $89,042 in consulting fees set at commercial rates.

STI Outcomes and Payments

Consistent with our general principles, the CEO, CFCO and the COO were set a financial goal based on achievement of year-on-year operating NPAT growth at threshold $40m, target $40.7m and stretch $41.7m. They were also each set strategic goals.

The CEO's strategic goals focused on:
- business development;
- acquisition integration;
- organic growth and cost structure; and
- radiologist and referrer engagement (including clinical leadership and building industry leading culture).

The CFCO's strategic goals were focused on:
- business development and pursuit of further acquisition targets;
- development of stronger controls around and enhancement of capital deployment;
- continued deployment of Environmental Social Governance strategy; and
- overseeing the implementation of new of finance and risk systems.

The COO's strategic goals were focused on:
- improving operational performance;
- growth strategies and supporting local greenfield and brownfield strategies;
- Integration of Ascot and IQ acquisition; and
- formulating radiologist sub speciality groups and improving engagement.

Upon commencement the CFO was set a financial goal consistent with the CEO, CFCO and COO as well as strategic goals.

The CFO's strategic goals focused on:
- business development;
- the pursuit of further acquisition and organic growth targets; and
- overseeing the implementation of new finance and risk systems.

For each strategic goal the Board established criteria by which achievement of that goal could be assessed. This was designed to ensure that as far as possible the achievement was capable of objective determination.

The KMP achieved many aspects of their strategic goals which in the circumstances, particularly given the ongoing challenges COVID-19 presented in FY22, was a commendable achievement. However, achievement of the financial goal was a gateway condition for any award payment. The operating NPAT was $21.7m, falling well short of the required financial threshold hurdle requirement. In these circumstances the Board declined to exercise its discretion and no STI payments were made to KMP for FY22.

The table below shows the STI outcomes for each KMP for the current and preceding financial years:

	FY22			FY21		
Executive	STI foregone (%)	STI paid (%)	STI payment $	STI foregone (%)	STI paid (%)	STI payment $
Dr Ian Kadish	**100%**	**0%**	**-**	16%	84%	151,200
Craig White	**100%**	**0%**	**-**	n/a	n/a	n/a
Paul McCrow	**100%**	**0%**	**-**	19%	81%	67,318
Anne Lockwood	**n/a**	**n/a**	**n/a**	14%	86%	107,500

LTI Performance Rights granted in FY22

For FY22, the Board maintained the metrics used to set vesting levels for the LTI consistent with those adopted for FY21.

The Board also determined the number of FY22 LTI Performance Rights awarded was by use of the 30 day VWAP prior to 30 June consistent with the FY21 grant.

The table below shows the LTI details for each Executive for the financial year ended 30 June 2022:

Executive	Grant date	Number of performance rights granted	Fair value on grant date	Aggregate fair value	Vesting and exercise date	Performance rights expiry date
Dr Ian Kadish	**5-Nov-21**	**157,371**	**4.53**	**712,891**	**30-Jun-25**	**30-Jun-26**
Craig White	**24-Jan-22**	**48,550**	**3.71**	**180,121**	**30-Jun-25**	**30-Jun-26**
Paul McCrow	**26-Aug-21**	**39,219**	**4.90**	**192,173**	**30-Jun-25**	**30-Jun-26**

LTI Performance Rights granted in FY21

The table below shows the LTI details for each Executive for the financial year ended 30 June 2021:

Executive	Grant date	Number of performance rights granted	Fair value on grant date	Aggregate fair value	Vesting and exercise date	Performance rights expiry date
Dr Ian Kadish	31-Oct-20	184,616	3.75	692,310	30-Jun-24	30-Jun-25
Anne Lockwood	17-Aug-20	96,154	3.35	322,116	30-Jun-24	30-Jun-25
Paul McCrow	17-Aug-20	23,270	3.35	77,955	30-Jun-24	30-Jun-25

Summary of KMP remuneration for FY22

Details of the remuneration received by the Group's KMP for FY22 and the prior financial year are set out in the following tables.

	Short term benefits		Post employment benefits	Long term benefits			
	Cash salary and fees $[1]	Cash incentive $	Superannuation $	Long service leave $	Share based payments $[2]	Total remuneration $	Proportion of rem. tied to performance %
Non-Executive Directors							
Helen Kurincic	**261,432**	**n/a**	**23,568**	**n/a**	**n/a**	**285,000**	**n/a**
John Atkin	**131,432**	**n/a**	**6,068**	**n/a**	**n/a**	**137,500**	**n/a**
Rupert Harrington	**58,093**	**n/a**	**5,676**	**n/a**	**n/a**	**63,769**	**n/a**
Raelene Murphy	**125,000**	**n/a**	**12,500**	**n/a**	**n/a**	**137,500**	**n/a**
Executive Directors							
Dr Ian Kadish	**781,488**	**-**	**23,568**	**11,006**	**(824,661)**	**(8,599)**	**Not meaningful**
Dr Jacqueline Milne	**908,319**	**n/a**	**23,568**	**3,355**	**n/a**	**935,242**	**n/a**
Dr Nazar Bokani	**924,609**	**n/a**	**23,568**	**13,634**	**42,554**	**1,004,365**	**n/a**
Other Key Management Personnel							
Craig White	**273,323**	**-**	**11,784**	**1,786**	**-**	**286,893**	**0.0%**
Paul McCrow	**369,046**	**-**	**23,568**	**6,994**	**(54,249)**	**345,359**	**Not meaningful**
Anne Lockwood	**315,918**	**-**	**20,108**	**(35,282)**	**33,918**[3]	**334,662**	**Not meaningful**

1. Includes Executive Director fees for the Company's radiologist directors.
2. Share based payment reversals reflect revised probability of FY19, FY20 and FY21 rights vesting as at 30 June 2022.
3. Based on the value of Ms Lockwood's LTI performance rights at the date she ceased service, and is included in the termination benefit disclosed on page 44.

Summary of KMP remuneration for FY21

	Short term benefits		Post employment benefits	Long term benefits			
	Cash salary and fees $[1]	Cash incentive $	Superannuation $	Long service leave $	Share based payments $	Total remuneration $	Proportion of rem. tied to performance %
Non-Executive Directors							
Helen Kurincic	228,311	n/a	21,689	n/a	n/a	250,000	n/a
John Atkin	114,155	n/a	10,845	n/a	n/a	125,000	n/a
Rupert Harrington	114,155	n/a	10,845	n/a	n/a	125,000	n/a
Raelene Murphy	121,385	n/a	3,861	n/a	n/a	125,000	n/a
Executive Directors							
Dr Ian Kadish	736,429	151,200	21,694	11,974	626,424	1,547,222	50.2%
Dr Jacqueline Milne	781,895	n/a	21,694	17,447	n/a	821,036	n/a
Dr Chien Ping Ho	381,695	n/a	16,271	10,619	n/a	408,584	n/a
Dr Nazar Bokani	171,048	n/a	3,861	985	7,573	183,467	n/a
Other Key Management Personnel							
Anne Lockwood	496,766	107,500	21,694	17,091	259,107	902,158	40.6%
Paul McCrow	247,477	67,318	16,271	3,597	40,546	375,209	28.7%

1. Includes Executive Director fees for the Company's radiologist directors.

Realised KMP remuneration for FY22

The following table shows the actual remuneration paid to, and the equity which vested for, each KMP in the 2022 and 2021 Financial Years. This includes fixed remuneration received; the STI amounts awarded; and value of LTI performance rights vested.

	Fixed remuneration $	STI $	Super $	Vesting of prior LTI grants $[1]	Total remuneration $
Non-Executive Directors					
Helen Kurincic	**261,432**	**n/a**	**23,568**	**n/a**	**285,000**
John Atkin	**131,432**	**n/a**	**6,068**	**n/a**	**137,500**
Rupert Harrington	**58,093**	**n/a**	**5,676**	**n/a**	**63,769**
Raelene Murphy	**125,000**	**n/a**	**12,500**	**n/a**	**137,500**
Executive Directors					
Dr Ian Kadish	**781,488**	**-**	**23,568**	**1,716,675**	**2,521,731**
Dr Jacqueline Milne	**908,319**	**n/a**	**23,568**	**n/a**	**931,887**
Dr Nazar Bokani	**924,609**	**n/a**	**23,568**	**n/a**	**948,177**
Other Key Management Personnel					
Craig White	**273,323**	**-**	**11,784**	**-**	**285,107**
Paul McCrow	**369,046**	**-**	**23,568**	**-**	**392,614**
Anne Lockwood	**315,918**	**-**	**20,108**	**474,184**	**810,210**

1. Valued on the 5 day VWAP of IDX ordinary shares up to vesting date.

Realised KMP remuneration for FY21

	Fixed remuneration $	STI $	Super $	Vesting of prior LTI grants $	Total remuneration $
Non-Executive Directors					
Helen Kurincic	228,311	n/a	21,689	n/a	250,000
John Atkin	114,155	n/a	10,845	n/a	125,000
Rupert Harrington	114,155	n/a	10,845	n/a	125,000
Raelene Murphy	121,385	n/a	3,861	n/a	125,000
Executive Directors					-
Dr Ian Kadish	736,429	151,200	21,694	-	909,323
Dr Jacqueline Milne	781,895	n/a	21,694	n/a	803,589
Dr Chien Ping Ho	381,695	n/a	16,271	n/a	397,966
Dr Nazar Bokani	171,048	n/a	3,861	n/a	174,909
Other Key Management Personnel					-
Anne Lockwood	496,766	107,500	21,694	-	625,960
Paul McCrow	247,477	67,318	16,271	-	331,066

d. Adjustments in remuneration settings for FY23

Review of Non-Executive Director and Executive Director Board fees for FY23

The Board has determined that for FY23 there will be no change in these Board fees.

Review of Executive Remuneration for FY23

The executive remuneration framework adopted in FY22 and prior years had not been substantially changed since 2017. During FY22, the Board conducted a review of the framework. In conducting the review, the Board considered feedback it had received from investors and management over the years, the increasing maturity of the business and the strategic priorities of the Company. The key changes made to the framework for KMP for FY23 are:

- doubling the STI component but deferring 50% of the STI into equity for 12 months subject to retention and malus;
- shortening the test period for the LTI component to 3 years (from 4 years previously) but removing the re-test provision; and
- introducing two more measures of performance so LTI vesting is now tested on aggregate EPS (50%), relative TSR (25%) and ROIC (25%).

Previously, the remuneration framework had a relatively low level of STI potential at 25% of fixed remuneration, and only one LTI performance condition of earnings per share (EPS). Given the current uncertainty of trading conditions and, in light of the Board's decision to withhold all STI awards in FY22 because the financial gateway condition was not met, the Board has not imposed a financial performance gateway for the award of the non-financial strategic objectives and priorities. However, the weighting on the financial component dependent on achievement of Operating NPAT targets has been increased to 50%.

Summary of remuneration components

The table below summarises the remuneration components and timing of delivery.

FY23 Remuneration Summary

		Year 1	Year 2	Year 3
Fixed Remuneration	100% Cash	Cash, superannuation, non-monetary awards		
STI	50% Cash	50% delivered as cash		
	50% Equity	50% delivered as deferred equity		
LTI	Performance rights	Performance rights converted to shares after 3 years		

1. **Fixed Remuneration**

There has been no change in fixed remuneration for executive KMP in FY23.

2. **Remuneration Mix**

The target remuneration mix has been revised by increasing KMP maximum potential STI award resulting in the following remuneration mix for FY23:

Executive	Fixed remuneration (%)	STI (%)	LTI (%)	Total remuneration
Dr Ian Kadish	40%	20%	40%	100%
Craig White	44%	23%	33%	100%
Paul McCrow	50%	25%	25%	100%

3. **Overview of variable STI and LTI arrangements**

STI

For achievement of stretch performance the maximum potential for STI has been increased from 25% to 50% of fixed remuneration. Market benchmarking has previously suggested that STI at 25% was at a relatively low level.

For FY23, the STI award will be divided into two equal components – the financial award and the non-financial strategic objectives and priorities award. The financial award will be determined by the extent to which the financial goal of achievement of year-on-year operating NPAT growth is met.

The non-financial award will in turn be made up of a mix of strategic goals and sustainability goals, which have been introduced in FY23 to support the Group's ongoing achievements of its ESG strategy, and to recognise that our patients, people, culture and risk management are integral to our ongoing success and ability to differentiate in an increasingly competitive market. Sustainability goals include measures related to patient satisfaction, employee engagement, safety and injury prevention, employee turnover and environmental impact.

To further emphasise the importance of sustainability, the Company has also introduced a risk, compliance and conduct gateway as a condition to the grant of any STI award.

Delivery of any FY23 STI award will be 50% as deferred equity subject to a twelve month holding lock and employment retention requirement, with the remainder delivered in cash with no deferral.

LTI

The Board has responded to stakeholder feedback and introduced changes to the LTI for FY23.

Performance of the FY23 LTI will be measured over a three-year performance period instead of four years as in FY22. The re-test provision will be removed and any award for which the performance conditions are not satisfied will lapse immediately after the performance measurement is finalised.

Awards will vest under the LTI plan based on the extent to which the following performance conditions are achieved:

- aggregate Earnings Per Share (50% weighting);
- relative Total Shareholder Return (25% weighting); and
- Return on Invested Capital (25% weighting).

Details of the scheme will be presented to the AGM for shareholder approval.

e. Cumulative interest of Executives under the LTI program

The LTI program is the key element of the 'at risk component' of the Executives' remuneration. The following table sets out the movement of Performance Rights held by each Executive and their related parties. None of the Performance Rights vested or lapsed during the reporting period and none of the Performance Rights are presently capable of being exercised.

As the LTI is tested over 4 years, the test for vesting of the FY19 grant will occur based on the results for FY22 as set out in this report. Diluted Operating Earnings per Share have declined from 12.5 to 10.2 cents per share representing a compound annual growth rate of (4.9%). This does not meet the threshold target of 5% set for the FY19 LTI Performance Rights. As noted previously, the terms of the FY19 LTI Performance Rights allow for the Board to decide to re-test the performance condition at the end of a further one year period, if the results in FY22, were adversely affected due to some extreme event or circumstance. Having regard to the severe impact of COVID-19 on the business during FY22 which was seen as an extreme circumstance outside managements' control, the Board has decided to allow re-testing of the FY19 LTI Performance Rights at the end of FY23. In exercising its discretion to re-test, the Board was mindful of ensuring the re-test would not unfairly advantage management or disadvantage shareholders. In that regard, the Board noted that at the re-test, the Threshold and Stretch levels of achievement will be determined by applying the CAGRs as specified by the Board at the time the Rights were granted over the full five years. In other words, to achieve Stretch, the EPS achieved would need to equal or exceed the level representing five years of compound growth at the relevant rate.

Movements in Performance Rights held by Executives

The following table sets out the movement of Performance Rights held by each Executive and their related parties. Executives achieved full vesting of their FY18 Performance Rights during the year and this is reflected below. The FY19 Performance Rights did not meet the performance condition for vesting.

		Opening balance	Granted during year	Vested		Forfeited		Balance at end of year (unvested)	Value yet to be expensed
		Number	Number	Number	%	Number	%	Number	$
Dr Ian Kadish	**FY22**	**-**	**157,371**	**-**	**0.0%**	**-**	**0.0%**	**157,371**	**712,891**
	FY21	184,616	-	-	0.0%	-	0.0%	184,616	692,310
	FY20	235,572	-	-	0.0%	-	0.0%	235,572	709,072
	FY19	200,000	-	-	0.0%	-	0.0%	200,000	478,000
	FY18	362,585	-	362,585	100.0%	-	0.0%	-	-
Craig White	**FY22**	**-**	**48,550**	**-**	**0.0%**	**-**	**0.0%**	**48,550**	**180,121**
Paul McCrow	**FY22**	**-**	**39,219**	**-**	**0.0%**	**-**	**0.0%**	**39,219**	**192,173**
	FY21	23,270	-	-	0.0%	-	0.0%	23,270	77,955
	FY20	59,779	-	-	0.0%	-	0.0%	59,779	174,073
Anne Lockwood	**FY22**	**-**	**-**	**-**	**0.0%**	**-**	**0.0%**	**-**	**-**
	FY21	96,154	-	-	0.0%	-	0.0%	96,154	-
	FY20	124,633	-	-	0.0%	-	0.0%	124,633	-
	FY19	84,386	-	-	0.0%	-	0.0%	84,386	-
	FY18	100,154	-	100,154	100.0%	-	0.0%	-	-

LTI Plan EPS CAGR Target Summary

LTI Plan	FY18	FY19	FY20	FY21	FY22
Beginning of period	01-Jul-17	01-Jul-18	01-Jul-19	01-Jul-20	**01-Jul-21**
End of period	30-Jun-21	30-Jun-22	30-Jun-23	30-Jun-24	**30-Jun-25**
Diluted operating EPS of at beginning of period	10.4	12.5	16.2	16.6	**19.0**
Threshold 5% CAGR	12.65	15.17	19.70	20.18	**23.07**
Stretch (12%) CAGR	n/a	n/a	25.51	26.12	**29.87**
Stretch (15%) CAGR	18.21	21.95	n/a	n/a	**n/a**

f. Other transactions with KMP and their related parties

Related party transactions

In FY22 there were no related party transactions, however as disclosed earlier in the report consulting fees of $89,042 were paid to former KMP Ms Lockwood after her employment cessation to assist with acquisitions.

Financial Accommodation

	Balance 30 June 2022	Balance 30 June 2021	Interest paid and payable
Dr Nazar Bokani	**454,658**	470,747	-

The above loan relates to Dr Bokani's participation in the Radiologist Loan Funded Share Plan (Loan Plan) in 2019, prior to his appointment as a Director. The Loan was made on an interest free basis to enable the purchase of shares in the Company. Shares issued attaching to the loan are subject to a continued employment condition of 4 years. The loan can be repaid after the employment condition is satisfied and any time up to 1 March 2029. The Shares are subject to a holding lock until the loan is repaid. The dividend streams relating to the loan funded shares are allocated, net of tax, to the repayment of the loan. These terms and conditions are consistent with those offered to other radiologists under the rules governing the Loan Plan.

Loans

No KMP has entered into a loan made, guaranteed or secured, directly or indirectly, with or by the Company or any of its subsidiaries during the reporting period.

g. Executive service agreements

Remuneration arrangements for Executive KMP are formalised in employment agreements. Key conditions for Executive KMP are outlined below:

Name	Agreement Commenced	Agreement Expiry	Notice of Termination by Group	Employee Notice
Dr Ian Kadish	22 May 2017	No fixed date	Six Months, or 12 months if change of control event	Six months
Craig White	24 January 2022	No fixed date	Six months	Six months
Paul McCrow	1 November 2020	No fixed date	Six months	Six months
Anne Lockwood	1 December 2017	No fixed date[1]	Six months	Six months

1. On 31 July 2021 Anne Lockwood gave the Company notice of her resignation. She served her notice period as detailed under the terms of her contract of employment and her employment ceased on 30 January 2022.

h. KMP shareholding and minimum shareholding policy for KMP

KMP Shareholding

The number of shares in the Company held during the financial year by each Director and other members of the KMP of the Group, including their personal related parties, is set out below:

	Balance at 1 July 2021	Additions	Disposals/other	Number of shares held upon ceasing to be KMP	Balance at the end of the year
Non-Executive Directors					
Helen Kurincic	492,084	63,495	-	-	555,579
John Atkin	158,891	24,894	-	-	183,785
Rupert Harrington[1]	357,648	5,307	-	362,955	-
Raelene Murphy	30,945	-	-	-	30,945
Executive Directors					
Dr Ian Kadish	89,379	450,062	-	-	539,441
Dr Jacqueline Milne	-	19,990	-	-	19,990
Dr Nazar Bokani	277,716	-	-	-	277,716
Other Key Management Personnel					
Craig White	-	-	-	-	-
Paul McCrow	-	-	-	-	
Anne Lockwood[2]	-	100,154	-	100,154	-

[1] Resigned as a Director on 19 December 2021

[2] Resigned as CFCO effective 30January 2022

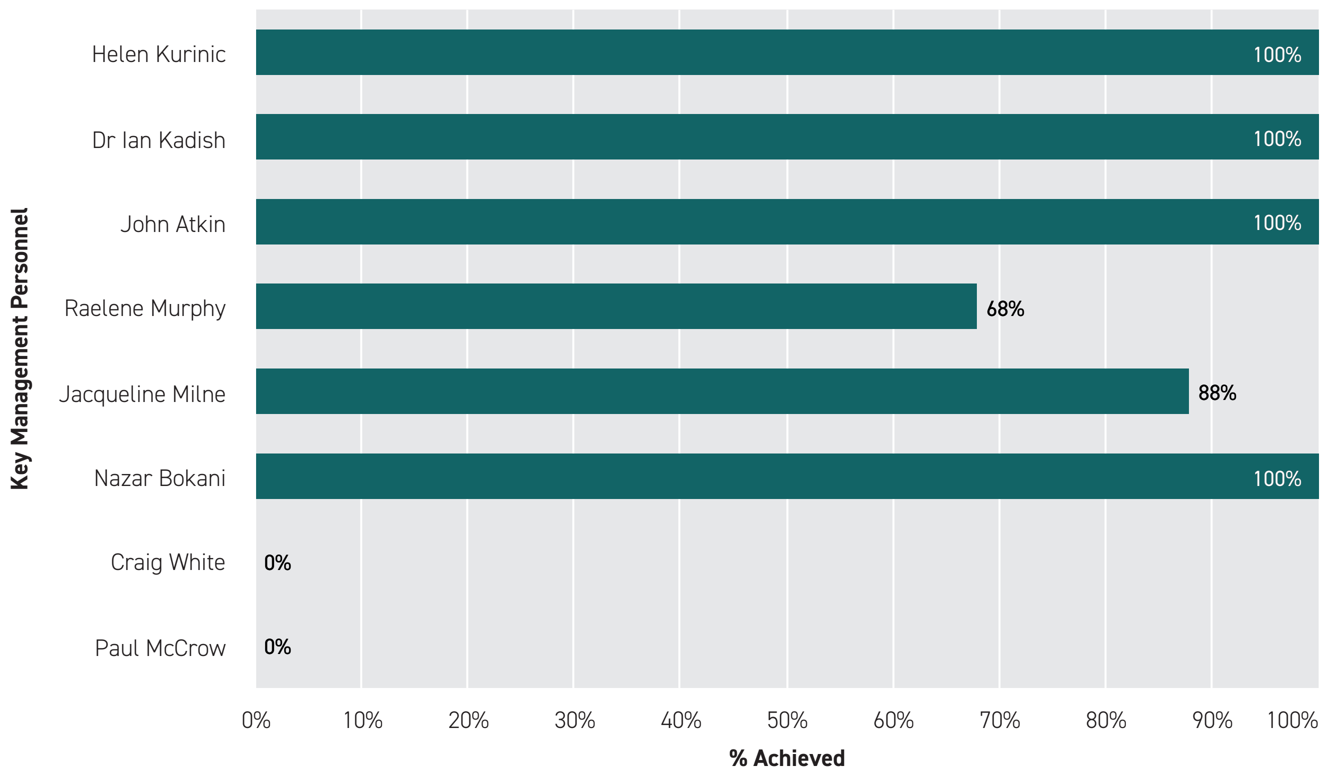
Minimum Shareholding Policy

To ensure Board members and KMP are aligned with the interests of shareholders, from 1 July 2018 the Board introduced a Minimum Shareholding Policy that requires Non-Executive Directors, Executive Directors and other KMP to build and maintain a minimum shareholding by the later of the fifth anniversary of the policy or the fifth anniversary of the KMP's appointment. During the year this Policy was reviewed and minor amendments were made.

KMP and Directors are required to meet a minimum shareholding equivalent as per the prescribed percentage of their total fixed remuneration or fees as outlined below:

- Managing Director and CEO: 100%
- CFO: 75%
- Other Executive KMP: 50%
- Non-Executive Directors: 100%
- Executive Directors: 100%

Minimum Shareholding



The Remuneration Report has been audited.

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Integral Diagnostics Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Jason Perry
Partner
PricewaterhouseCoopers

Melbourne
29 August 2022

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

Financial Report

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2022

	Note	30 June 2022 $'000	30 June 2021 $'000
Revenue			
Revenue	5	**360,930**	350,696
Interest and other income	5	**39**	267
Total revenue and other income		**360,969**	350,963
Expenses			
Consumables		**(19,221)**	(17,017)
Employee benefits expense	6	**(219,612)**	(197,992)
Depreciation expense	6	**(20,644)**	(18,747)
Amortisation expense	6	**(16,055)**	(16,167)
Transaction and integration expenses	6	**(5,460)**	(2,219)
Share based payment reversal/(expense)	24	**638**	(2,080)
Equipment related expenses		**(13,142)**	(12,152)
Occupancy expenses		**(8,028)**	(7,492)
Other expenses		**(26,243)**	(22,984)
Finance costs	6	**(10,483)**	(8,909)
Share of net profits/(losses) of joint ventures accounted for using the equity method	16	**(158)**	18
Total expenses		**(338,408)**	(305,741)
Profit before income tax expense		**22,561**	45,222
Income tax expense	7	**(7,958)**	(13,954)
Profit for the year from continuing operations		**14,603**	31,268
Profit is attributable to:			
Owners of Integral Diagnostics Limited		**14,603**	31,268

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	30 June 2022 $'000	30 June 2021 $'000
Profit for the year		**14,603**	31,268
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(1,912)**	(163)
Net (loss)/gain on cash flow hedges		**-**	-
Other comprehensive income for the year, net of tax		**12,691**	31,105
Total comprehensive income for the year		**12,691**	31,105
Total comprehensive income is attributable to:			
Owners of Integral Diagnostics Limited		**12,691**	31,105

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2022

	Note	30 June 2022 $'000	30 June 2021 $'000
Assets			
Current assets			
Cash and cash equivalents	8	**123,193**	62,203
Trade and other receivables	9	**19,409**	14,260
Income tax receivable		**3,594**	-
Other assets	10	**6,524**	4,874
Inventory	11	**1,264**	914
Total current assets		**153,984**	82,251
Non-current assets			
Property, plant and equipment	12	**124,252**	111,094
Right-of-use assets	13	**106,881**	100,391
Intangible assets	14	**380,487**	344,729
Deferred tax asset	15	**17,252**	16,335
Investments accounted for using the equity method	16	**159**	99
Total non-current assets		**629,031**	572,648
Total assets		**783,015**	654,899
Liabilities			
Current liabilities			
Trade and other payables	17	**22,897**	20,271
Borrowings	18	**5,470**	6,543
Lease liabilities	13	**11,740**	10,427
Income tax payable		**-**	4,509
Contingent consideration	20	**16,376**	15,863
Provisions	19	**23,521**	20,286
Total current liabilities		**80,004**	77,899
Non-current liabilities			
Contingent consideration	20	**8,236**	7,246
Borrowings	21	**217,582**	192,185
Lease liabilities	13	**106,199**	99,199
Deferred tax liability	15	**14,226**	13,826
Provisions	22	**9,524**	9,805
Total non-current liabilities		**355,767**	322,261
Total liabilities		**435,771**	400,160
Net assets		**347,244**	254,739
Equity			
Contributed capital	23	**322,543**	219,219
Reserves	24	**(12,455)**	(8,883)
Retained profits	25	**37,156**	44,403
Total equity		**347,244**	254,739

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Contributed capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2020	207,437	(10,800)	31,693	228,330
Profit after income tax expense	-	-	31,268	31,268
Movement in translation of foreign operations	-	(163)	-	(163)
Total comprehensive income	-	(163)	31,268	31,105
Transactions with owners in their capacity as owners:				
Net tax effect of transaction costs recognised in equity	(108)	-	-	(108)
Transaction costs recognised in equity (Note 23)	(139)	-	-	(139)
Issue of ordinary shares under Radiologist incentive scheme (Note 23)	1,500	-	-	1,500
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax (Note 23)	9,857	-	-	9,857
Share based payments (Note 24)	-	2,080	-	2,080
Dividends paid and reinvested in equity (Note 26)	671	-	(18,558)	(17,886)
Balance at 30 June 2021	219,219	(8,883)	44,403	254,739

	Contributed capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2021	**219,219**	**(8,883)**	**44,403**	**254,739**
Profit after income tax expense	**-**	**-**	**14,603**	**14,603**
Movement in translation of foreign operations	**-**	**(1,912)**	**-**	**(1,912)**
Total comprehensive income	**-**	**(1,912)**	**14,603**	**12,691**
Transactions with owners in their capacity as owners:				
Net tax effect of transaction costs recognised in equity	**362**	**-**	**-**	**362**
Transaction costs recognised in equity (Note 23)	**(2,875)**	**-**	**-**	**(2,875)**
Issue of ordinary shares under Radiologist incentive scheme (Note 23)	**1,500**	**-**	**-**	**1,500**
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax (Note 23)	**12,300**	**-**	**-**	**12,300**
Issue of ordinary shares pursuant to entitlement offers	**90,028**	**-**	**-**	**90,028**
Conversion of performance rights to ordinary shares	**1,022**	**(1,022)**	**-**	**-**
Share based payments (Note 24)	**-**	**(638)**	**-**	**(638)**
Dividends paid and reinvested in equity (Note 26)	**987**	**-**	**(21,850)**	**(20,863)**
Balance at 30 June 2022	**322,543**	**(12,455)**	**37,156**	**347,244**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	30 June 2022 $'000	30 June 2021 $'000
Cash flows from operating activities			
Receipts from customers		**357,020**	347,504
Payments to suppliers and employees		**(286,726)**	(248,752)
Transaction and integration costs relating to acquisition of subsidiaries		**(5,460)**	(2,219)
Interest and other finance costs paid		**(10,328)**	(10,315)
Interest received		**39**	88
Income taxes paid		**(17,445)**	(16,734)
Net cash from operating activities	37	**37,100**	69,572
Cash flows from investing activities			
Payments for purchase of subsidiary, net of cash acquired	34	**(24,614)**	(35,459)
Payments in settlement of contingent consideration	20	**(3,309)**	(931)
Payments for property, plant and equipment		**(27,770)**	(20,259)
Payments for registration of brand names	14	**-**	(14)
Net cash used in investing activities		**(55,693)**	(56,663)
Cash flows from financing activities			
Proceeds from issue of share capital	23	**91,828**	1,792
Transaction costs paid on issue of share capital	23	**(2,875)**	(139)
Proceeds from borrowings drawn		**114,153**	35,180
Repayment of borrowings		**(89,829)**	(16,786)
Repayment of the principal element of lease liabilities		**(11,280)**	(9,995)
Dividends paid to Company shareholders		**(20,863)**	(17,886)
Net cash from financing activities		**81,134**	(7,834)
Net increase in cash and cash equivalents		**62,541**	5,075
Cash and cash equivalents at the beginning of the financial year		**62,203**	57,965
Effects of exchange rate changes on cash and cash equivalents		**(1,551)**	(837)
Cash and cash equivalents at the end of the financial year	8	**123,193**	62,203

NOTES TO THE FINANCIAL STATEMENTS

Note 1. General information

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

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

Suite 9.02, Level 9, 45 William Street MELBOURNE VIC 3000

A description of the nature of the consolidated entity'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 29th August 2022. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 33.

New, revised or amending accounting standards and interpretations adopted

The Group has adopted all new, revised or amended accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. There is no material impact from the adoption of these new standards.

Any new, revised or amending accounting standards or interpretations that are not yet mandatory have not been early adopted.

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Integral Diagnostics Limited as at 30 June 2022 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-Group transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Where the Group loses control over a subsidiary, it derecognises the assets (including goodwill), liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained, together with any gain or loss in profit or loss.

Joint arrangements

The Group's interests in joint ventures are accounted for using the equity method (see (iii) below), after initially being recognised at cost in the consolidated balance sheet.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described later in this note.

Current and non-current classification

Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in a normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is expected to be settled in a normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income ("OCI") or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date, and their statements of profit or loss are translated at average exchange rates for the period. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss. Any goodwill arising on the acquisition of a foreign operation, and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition, are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Impairment of non-financial assets

Goodwill and other intangible assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset, using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Share-based payments

Employees (including senior management and radiologists) of the Group receive remuneration and benefits in the form of share-based payments. These employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in expense, together with a corresponding increase in equity (share based payment reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding performance rights is reflected as additional share dilution in the computation of diluted earnings per share.

The loan associated with loan funded shares is non-recourse in nature and it is held off balance sheet and no corresponding amounts held in equity for the issued shares. The cost of the loan is recorded in the income statement over the service period, with the corresponding amount charged to equity. This equity value is recorded as share capital when the holder of the loan funded shares repays the loan in full, which is at their election in years 5 to 10 from grant date.

Investments and other financial assets

Classification

The group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets at amortised cost

Loans and receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less any allowance under the expected credit loss (ECL) model.

All loans and receivables with maturities greater than 12 months after the balance date are classified as non-current assets.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement when determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL. The Group considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and current market conditions as well as forward looking estimates at the end of each reporting period.

Debts that are known to be uncollectable are written off when identified.

Revenue

Revenue from diagnostic imaging services is recognised on completion and reporting of imaging to the referring doctor. For diagnostic imaging services provided under contract, revenue is recognised based on the actual service provided to the end of the reporting period. This is determined based on the actual volume of exams reported.

Refer to note 5 for further details in relation to the point of revenue recognition for the Group's specific revenue streams.

Government grants

Government grants are recognised only after eligibility conditions have been met and the Group has assessed these will be received. Consistent with the income approach applicable under AASB 120, government grants are recognised in profit or loss as a deduction against the employee benefits expenses for which they are intended to compensate.

Property leases

Property leases are recognised as a right-of-use asset and a corresponding liability at the date at which the property is available for use by the Group. Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from property leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that would be paid to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are those with a lease term of 12 months or less.

Extension and termination options are included in most property leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. Most extension and termination options held are exercisable only by the Group and thus it has been assumed that these are to be exercised in the measurement of lease liabilities and right of use assets, as is expected to be the case with future lease renewals.

Rounding of amounts

The Group is of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off'. Amounts in this Report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. None of these new standards and interpretations are expected to have a material impact on the Group's financial statements.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event.

The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 14.

The recoverable amounts of cash-generating units have been determined based on value-in-use (VIU) calculations. These calculations require the use of assumptions, including anticipated sales growth, long-term growth rate and the post-tax discount rate. These assumptions have taken into account uncertainty arising due to COVID-19 as outlined in Note 14.

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

The Group assessed impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value-in-use (ViU) calculations, in conjunction with the goodwill impairment testing which incorporates a number of key estimates and assumptions, including the continuation of the stable regulatory environment and current competitive practices for healthcare services in both Australia and New Zealand.

Provision for make good

The Group records a provision for make good costs of lease properties. Make good costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the make good liability. The unwinding of the make good is expensed as incurred and recognised in the statement of profit or loss. The estimated future costs of the make good are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Impacts of COVID-19

The Group has performed an assessment of the impacts of COVID-19 on the financial performance and position of the Group. It has been determined that the net impact has been neither significant or prolonged and that the ongoing ability of the Group to generate sufficient cash flows to support the carrying value of assets has not been impacted.

Should there be ongoing impacts from COVID-19 across the Group's operations, and the impacts of this pandemic are significant or prolonged, this may impact the Group in the longer term.

Business combination accounting

In applying business combination accounting to its acquisitions, the Group makes estimations of future cash flows and applies an appropriate discount rate to measure identified assets, including brand names and customer contracts. The Group is also required to estimate contingent considerations, involving the estimation of future earnings to be generated by the acquired business for a defined period. These liabilities are further detailed in Note 20.

Note 4. Operating segments

Identification of reportable operating segments

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

Major customers

During the year ended 30 June 2022, there was no external revenue greater than 10% to any one customer (2021: nil).

Accounting policy for operating segments

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

Operating segment information

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

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Total revenue and other income from continuing operations		
Australia	**318,407**	304,562
New Zealand	**42,562**	46,401
	360,969	350,963
Total non -current assets		
Australia	**475,640**	410,740
New Zealand	**153,391**	161,908
	629,031	572,648

Note 5. Revenue

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Sales revenue		
Services revenue	**358,739**	348,808
Other revenue		
Other revenue	**2,191**	1,888
Revenue	**360,930**	350,696
Interest and other income		
Interest income	**39**	88
Realised FX gain	**-**	179
	39	267
Total revenue and other income	**360,969**	350,963
Timing of revenue recognition		
At a point in time	**342,905**	334,722
Over time	**18,025**	15,974
	360,930	350,696

Accounting policy for revenue recognition

Revenue is recognised when the Group has fulfilled its contractual performance obligations to its customers. Revenue is measured at the fair value of the consideration received or receivable, and except for specific customer contracts where service revenues are recognised over time, revenue recognised is at a point in time.

Rendering of services

Rendering of services revenue is recognised when the service is rendered for the provision of medical imaging services. For some specific customer contracts, service revenues are recognised over time on a straight-line basis, which reflects the contract requirement for services to be delivered evenly over the term. All other service revenues are recognised at the time the images are read and reported on.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established. Other revenue largely includes compensation payments received under equipment and leasehold contracts as well as labour cost charges to hospitals and Government (trainees and paid parental leave).

Note 6. Expenses

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Profit before income tax includes the following specific expenses:		
Depreciation expense		
Leasehold improvements	**2,921**	2,705
Plant and equipment	**14,351**	13,373
Motor vehicles	**36**	32
Office furniture and equipment	**3,336**	2,637
Total depreciation	**20,644**	18,747
Amortisation expense		
Customer contracts	**2,952**	4,474
Right-of-use assets	**13,103**	11,692
Total amortisation	**16,055**	16,167
Total depreciation and amortisation	**36,699**	34,914
Net (gain)/loss on disposal of property, plant and equipment	**(175)**	390
Transaction and integration costs relating to acquisition of subsidiaries		
Professional fees and other costs	**5,460**	2,219
Total transaction costs	**5,460**	2,219
Finance costs		
Interest and finance charges paid/payable	**10,483**	8,817
Unwinding of the effect of discounting provisions	**-**	92
Finance costs expensed	**10,483**	8,909
Employee benefits expense		
Employee benefits	**184,066**	173,630
Government grants	**-**	(6,695)
Superannuation contributions	**12,926**	10,862
Labour supply	**22,620**	20,195
Total employee benefits expense	**219,612**	197,992

Costs of inventories recognised as expense were $19.2 million (2021: $17.0 million).

Accounting policy for finance costs

Borrowing costs are expensed in the period in which they are incurred. Amounts relating to the unwinding of discounting are classified as finance costs.

Government grants

No amounts relating to government grants were recognised during the year (2021: $6.7 million).

In 2021, the Group elected to make a voluntary return of surplus JobKeeper funds to government of $2.9 million pre-tax, being assessed the benefit received by the Group after making allowance for the impact of COVID-19, and the cost of retaining staff during these disruptions. The amount of government grants disclosed in the above table is presented net of this return.

In 2021, JobKeeper payments, New Zealand Wage Subsidy and payroll tax refunds received as part of the government response to the COVID-19 pandemic of $10.2 million were partially offset by $0.7 million of top up payments included in the employee benefits line item. In 2021, the JobKeeper payments and New Zealand Wage Subsidy were taxable income, the net benefit to the Group after top up payments, voluntary return of JobKeeper and related tax effects was $4.7 million. There were no unfulfilled conditions or other contingencies attached to these grants. During the prior reporting period, the Group had also benefited from other government assistance in the form of deferred payroll tax to the extent as outlined in Note 17.

In accordance with the legislative requirements, JobKeeper payment eligibility was assessed at the level of the group's individual subsidiary employment service entities. The eligibility of these entities for JobKeeper payments was assessed by applying the basic turnover test to their expected management service fee turnover. The projected turnover declines in these entities were commensurate with overall declines in revenue and operating returns experienced in the employment service entities' corresponding trading subsidiary for the same period.

Note 7. Income tax expense

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Income tax expense		
Current tax	**7,742**	15,827
Deferred tax – origination and reversal of temporary differences	**216**	(1,873)
Total income tax expense	**7,958**	13,954
Deferred tax included in income tax expense comprises:		
(Increase) in deferred tax assets (Note 15)	**(55)**	(2,728)
Increase/(decrease) in deferred tax liabilities (Note 15)	**271**	855
	216	(1,873)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	**22,561**	45,222
Tax at the Australian statutory rate of 30% (2021: 30%)	**6,768**	13,412
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment costs	**50**	49
Transaction costs	**1,010**	131
Share based payments	**(184)**	621
Share of profits of joint ventures	**47**	(5)
Lease adjustment	**5**	-
	7,696	14,208
Adjustment recognised for prior periods	**376**	(99)
Impact of lower corporate tax rate in New Zealand	**(114)**	(155)
Income tax expense	**7,958**	13,954

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 8. Current assets – cash and cash equivalents

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Cash on hand	**21**	16
Cash at bank	**123,172**	62,187
	123,193	62,203

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 9. Current assets – trade and other receivables

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Trade receivables	**19,712**	14,788
Less: loss allowance	**(303)**	(547)
	19,409	14,242
Other receivables	**-**	18
	19,409	14,260

Impairment of receivables

Movements in the loss allowance for trade receivables are as follows:

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Opening balance	**547**	235
Recognised on business combination	**-**	313
Additional allowance recognised	**(30)**	86
Receivables written off during the year as uncollectable	**(214)**	(87)
Closing balance	**303**	547

The ageing of receivables past due is as follows:

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Past due 31 to 60 days	**2,255**	785
Past due 61 to 90 days	**649**	335
Past due more than 91 days	**1,928**	1,034
	4,832	2,154

Accounting policy for trade and other receivables

Trade receivables are amounts due from customers for services rendered. They are generally due for settlement within 30 to 60 days and are therefore all classified as current. Trade receivables are initially recognised at the amount of consideration that is unconditional. None of the Group's trade receivables have a significant financing component. The group holds these receivables to collect the contractual cash flows and thus subsequently measures these at amortised cost less any loss allowance. Due to the short-term nature of these receivables, their carrying amount is assumed to approximate fair value. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The group applies the simplified approach to measuring expected credit losses using a lifetime expected credit losses (ECL) allowance for all trade receivables. The expected credit loss rates are based on the payment profile of sales in recent periods and historical loss rates. The historical loss rates are adjusted to reflect current and forward looking information on factors affecting the ability of customers to settle the receivable, including an increased risk associated with collection of outstanding amounts based on additional factors such as probability of bankruptcy or financial reorganisation and consideration of the impact of COVID-19.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 10. Current assets – other

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Accrued income	**1,322**	1,557
Prepayments	**4,821**	2,623
Security deposits	**381**	401
Other current assets	**-**	293
	6,524	4,874

Note 11. Inventory

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Contrast, drugs, needles & personal protective equipment	**1,264**	914

Accounting policy for inventory

Inventory is valued at the lower of cost and net realisable value. Inventory has been recognised based on categories of high-value items used in the production of medical images that the Company holds in large volumes including contrast, drugs, needles and personal protective equipment. Costs of inventories recognised as an expense was $19.2 million (2021: $17.0 million).

Note 12. Non-current assets – property, plant and equipment

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Work in progress – at cost	**8,124**	2,025
Leasehold improvements – at cost	**47,488**	43,298
Less: Accumulated depreciation	**(14,462)**	(11,540)
	33,026	31,758
Plant and equipment – at cost	**135,647**	119,769
Less: Accumulated depreciation	**(65,057)**	(52,35)
	70,590	67,415
Motor vehicles – at cost	**372**	322
Less: Accumulated depreciation	**(208)**	(172)
	164	150
Office furniture and equipment – at cost	**27,636**	21,690
Less: Accumulated depreciation	**(15,288)**	(11,943)
	12,348	9,747
	124,252	111,094

Reconciliations

Reconciliations of the written down values of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

Consolidated	Work in progress $'000	Leasehold improvements $'000	Plant and equipment $'000	Motor Vehicles $'000	Office furniture and equipment $'000	Total $'000
Balance at 30 June 2020	998	28,245	64,508	123	7,131	101,005
Business combination		2,975	5,292	-	321	8,588
Additions	20,687	-	-	-	-	20,687
Transfers	(19,660)	3,269	11,407	59	4,925	-
Disposals/write offs	-	(108)	(514)		(9)	(631)
Depreciation expense	-	(2,705)	(13,373)	(32)	(2,637)	(18,747)
Exchange differences	-	81	95	-	16	192
Balance at 30 June 2021	2,025	31,757	67,415	150	9,747	111,094
Business combination – Note 34	**-**	**1,264**	**2,660**	**-**	**189**	**4,113**
Additions	**31,282**	**-**	**-**	**-**	**25**	**31,307**
Transfers	**(25,183)**	**3,376**	**15,984**	**50**	**5,773**	**-**
Disposals/write offs	**-**	**(433)**	**(821)**	**-**	**(2)**	**(1,256)**
Depreciation expense	**-**	**(2,921)**	**(14,351)**	**(36)**	**(3,336)**	**(20,644)**
Exchange differences	**-**	**(17)**	**(297)**	**-**	**(48)**	**(362)**
Balance at 30 June 2022	**8,124**	**33,026**	**70,590**	**164**	**12,348**	**124,252**

Property, plant and equipment secured under asset financing facility

Refer to Note 21 for further information on property, plant and equipment secured under asset financing.

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

- Leasehold improvements 5 – 20 years
- Plant and equipment 4 – 15 years
- Motor vehicles 5 – 8 years
- Office furniture and equipment 3 – 15 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter. Leasehold improvements include the expected future cost of making good leasehold premises at the conclusion of the lease term.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Costs which are necessarily incurred whilst commissioning new asset, in the period before they are capable of operating in the manner intended by management, are capitalised as Work in Progress. Upon completion of the asset and all associated costs being recognised, the Work in Progress is transferred to the correct property, plant and equipment classification at which point it is accounted for in accordance with the policy set out above.

Note 13. Leases

The balance sheet shows the following amounts in respect of leases:

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Right-of-use assets		
Property leases	**106,881**	100,391
Lease liabilities		
Current	**11,740**	10,427
Non-current	**106,199**	99,199
	117,939	109,626

Additions to the right-of-use assets during the year were $14.2m (2021: $14.5m).

The statement of profit or loss shows the following amounts relating to leases:

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Amortisation charge against right-of-use assets	**13,103**	11,692
Interest expense (included in finance cost)	**4,030**	3,728
Expense relating to short-term leases (included in occupancy expenses)	**311**	768
Credits received as rent concessions due to COVID-19 (included in occupancy expenses)		-

Reconciliation of movements in lease liabilities during the period

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Lease liabilities recognised at 1 July	**109,626**	96,107
Lease liabilities assumed on acquisition	**9,038**	12,527
Remeasurement of liability	**(29)**	1,823
Early termination of leases	**(3,429)**	(5,379)
New leases entered into during the period	**14,013**	14,542
Repayment of lease liabilities, net of interest	**(11,280)**	(9,995)
Lease liabilities recognised at 30 June	**117,939**	109,626

Note 14. Non-current assets – intangibles

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Goodwill – at cost	**352,462**	315,790
Brand names and trademarks – at cost	**25,546**	24,745
Customer contracts – at cost	**16,234**	15,320
Less: Accumulated amortisation	**(13,755)**	(11,126)
	2,479	4,194
	380,487	344,729

Reconciliations

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

Consolidated	Goodwill $'000	Brand names & trademarks $'000[1]	Customer contracts $'000	Total $'000
Balance at 30 June 2020	280,017	24,768	2,486	307,271
Assets recognised on business combination acquisitions	35,388	-	6,044	41,432
Additions	-	14	-	14
Amortisation expense	-	-	(4,474)	(4,474)
Foreign currency conversion	385	(37)	138	486
Balance at 30 June 2021	315,790	24,745	4,194	344,729
Assets recognised on business combination acquisition – Note 34	**39,976**	**1,100**	**430**	**41,506**
Additions	**-**	**-**	**818**	**818**
Amortisation expense	**-**	**-**	**(2,952)**	**(2,952)**
Foreign currency conversion	**(3,304)**	**(299)**	**(11)**	**(3,614)**
Balance at 30 June 2022	**352,462**	**25,546**	**2,479**	**380,487**

1. Brand names of $24.77 million are distributed across the SCR ($7.0m), Lake Imaging ($0.17m), NZ ($9.7m) and Imaging Queensland ($7.9m) CGUs.

Reconciliations of the carrying values by cash generating unit are set out below:

Consolidated	Australia $'000	New Zealand $'000	Total $'000
Goodwill	240,190	112,272	352,462
Brand names and trademarks	16,185	9,361	25,546
Customer contracts	1,577	902	2,479
Balance at 30 June 2022	257,952	122,535	380,487

Impairment test for goodwill and intangibles

Goodwill and brand names are tested for impairment annually (as at 30 June) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value in use calculations. An assessment of identifiable cash generating units and a review of allocations of goodwill to the identified cash generating units is conducted annually.

Management have concluded that the current centralised structure of operations in Australia, and the ongoing synergies and opportunities this delivers to the Group's Australian operations warrants the continued allocation of goodwill to form one cash-generating unit in Australia, and a second cash generating unit in New Zealand for impairment testing purposes. Brand names and trademarks are allocated to brand level cash-generating units.

Key assumptions for value-in-use calculations

The recoverable amount is determined based on value-in-use calculations which require the use of assumptions.
The calculations use cash flow projections based on financial budgets approved by the Board. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates do not exceed the historical average growth rates for the industry in which the Group operates and assume a continuation of the stable regulatory environment for healthcare services in both Australia and New Zealand.
A reasonable possible change in the 5 year compound annual revenue growth rate could cause an impairment in both the Australian and New Zealand cash generating units. At 30 June 2022, the recoverable amount of the Australian and New Zealand CGU's are estimated to exceed their carrying values by $232 million and $50 million respectively.
The following table sets out the key assumptions for impairment testing for each geographic segment:

	2022 %	2021 %	Break even rate %
Australia			
5 year compound annual revenue growth rate	**6.3**	5.3	5.2
Long-term growth rate	**2.5**	1.9	(4.3)
Pre-tax discount rate	**10.8**	10.6	15.1
New Zealand			
5 year compound annual revenue growth rate	**6.9**	8.5	4.6
Long-term growth rate	**2.0**	1.5	(4.3)
Pre-tax discount rate	**12.4**	12.1	16.1

Accounting policy for intangible assets

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

Goodwill

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

Brand names and trademarks

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

Customer contracts

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

Note 15. Deferred tax

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Deferred tax assets		
Deferred tax asset comprises temporary differences attributable to:		
Employee benefits and other provisions	**10,869**	10,770
Provisions for lease make good	**1,171**	1,035
Transaction costs in equity	**1,136**	665
Transaction costs	**502**	834
Tax losses available	**268**	268
Leases	**3,306**	2,763
Total deferred tax asset	**17,252**	16,335
Amount expected to be recovered within 12 months	**4,233**	4,116
Amount expected to be recovered after more than 12 months	**13,019**	12,219
	17,252	16,335
Movements:		
Opening balance	**16,335**	13,607
Credited to profit or loss (Note 7)	**55**	2,728
Credited to equity	**862**	-
Closing balance	**17,252**	16,335

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Deferred tax liabilities		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Property, plant and equipment	**(6,024)**	(5,384)
Brand names and customer contracts	**(8,202)**	(8,442)
Total deferred tax liabilities	**(14,226)**	(13,826)
Amount expected to be settled within 12 months	**(602)**	(538)
Amount expected to be settled after more than 12 months	**(13,624)**	(13,288)
	(14,226)	(13,826)
Movements:		
Opening balance	**(13,826)**	(11,515)
Credited to profit or loss (Note 7)	**(271)**	(855)
Additions through business combinations (Note 34)	**(129)**	(1,456)
Closing balance	**(14,226)**	(13,826)

Accounting policy for deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Integral Diagnostics Limited (the 'head entity') and its wholly owned Australian subsidiaries have formed an income tax-consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax-consolidated group continue to account for their own current and deferred tax amounts. The tax-consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax-consolidated group. In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax-consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax-consolidated group. The tax consolidated group has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group, arising under the joint and several liability provisions of the tax consolidation system, in the event of default by the head entity to meet its payment obligations.

Note 16. Interests in other entities

Interests in joint ventures

Set out below are the joint ventures of the Group as at 30 June 2022. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

		Ownership interest			Carriying amount	
Name of joint venture	Place of incorporation	2022 %	2021 %	Measurement method	2022 $'000	2021 $'000
MedX	Australia	**50%**	50%	Equity method	**159**	-
Ascot at Maranui[1]	New Zealand	**100%**	50%	Equity method	**-**	99

1. The remaining share capital in this entity was acquired during the year and is now consolidated.

Summarised financial information for joint ventures

The table summarises the financial information for those joint ventures of the group accounted for using the equity method.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Aggregate carrying amount of individual immaterial joint ventures	**159**	99
Aggregate share of amounts of the group's share of:		
Profit/(loss) from continuing operations	**(158)**	18
Other comprehensive income	**-**	-
Total comprehensive income	**(158)**	18

Note 17. Current liabilities – trade and other payables

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Trade payables	**8,694**	4,753
Other payables and accruals	**14,203**	15,518
	22,897	20,271

Refer to Note 27 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. They are recognised at their fair value. The amounts are unsecured and are usually paid within 30 days of recognition. Due to the short-term nature of these payables, their carrying amount is assumed to approximate fair value.

Note 18. Current liabilities – borrowings

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Asset financing facility	**5,470**	6,543

Refer to Note 21 for accounting policy on borrowings and further information on assets pledged as security and financing arrangements.

Refer to Note 27 for further information on financial instruments.

Note 19. Current liabilities – provisions

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Annual leave	**15,664**	13,891
Long service leave	**7,326**	5,935
Employee benefits	**250**	282
Lease make good[1]	**281**	178
	23,521	20,286

1. Refer to note 22 for the accounting policy for lease make good and long service leave provisions.

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

The leave obligations cover the Group's liability for long service leave, annual leave and rostered days off. The current provision of this liability includes all accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

Note 20. Contingent consideration

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Current portion	**16,376**	15,863
Non-current portion	**8,236**	7,246
	24,612	23,109

The movements in each element of contingent consideration during the financial are set out below:

Consolidated	Total $'000
Carrying amount at the start of the year	23,109
Recognised on business combination – Note 34	6,500
Remeasurements charged through profit or loss	(1,688)
Amounts paid during the year	(3,309)
Balance at 30 June 2022	24,612

Contingent consideration

Contingent consideration arises from contractual commitments entered into on the acquisition of businesses. Where contingent consideration payments are significantly linked to requirements for ongoing employment the cost of the deferred payment is charged to profit or loss as earnt. Where contingent consideration is linked to the enterprise value of the entity acquired and each vendor is entitled to the payment of the earn of regardless of their employment status, the amounts are recognised in goodwill as part of the business combination accounting and based on expectation of payment. Any increment or decrement arising from remeasurement of these liabilities is charged to profit or loss.

An amount of $12.4m has been provided for in regards to Earn Out A of the Imaging Queensland acquisition. The settlement payment for Earn Out A due to the vendors of Imaging Queensland is subject to the dispute settlement process provided for in the Share and Asset Sale Agreement (SASA).

Note 21. Non-current liabilities – borrowings

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Club debt facility	**213,057**	187,969
Asset financing facility	**4,525**	4,216
	217,582	192,185

The fair values of these borrowings are not materially different from their carrying amounts, as the interest payable on those borrowings reflect either current market rates or the borrowings are of a short-term nature.

Refer to Note 27 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Club debt facility	**213,057**	187,969
Asset financing facility	**9,995**	10,759
	223,052	198,728

Assets pledged as security

The asset finance liabilities are effectively secured as the financiers have rights to the assets under finance in the event of default. Under the club debt facility the financiers have security over the cash flows of the business.

Financial arrangements

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

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Total facilities		
Asset finance facility	**80,000**	80,000
Cash advance facility	**314,564**	312,429
Standby letter of credit or guarantee facility	**7,000**	7,000
Commercial cards facility	**591**	340
Electronic payaway facility	**-**	3,075
	402,155	402,844
Used at the reporting date		
Asset finance facility	**9,994**	10,728
Cash advance facility	**215,129**	190,002
Standby letter of credit or guarantee facility	**2,869**	2,273
Commercial cards facility	**52**	14
Electronic payaway facility	**-**	-
	228,044	203,017
Unused at the reporting date		
Asset finance facility	**70,006**	69,272
Cash advance facility	**99,435**	122,427
Standby letter of credit or guarantee facility	**4,131**	4,727
Commercial cards facility	**539**	326
Electronic payaway facility	**-**	3,075
	174,111	199,827

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. During the year, the terms of the Group's facilities were renegotiated with the lenders. There were no substantial changes to the terms of the agreement. Under the current lending arrangement the cash advance facilities expire in February 2026.

Note 22. Non-current liabilities – provisions

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Long service leave	**3,982**	4,703
Lease make good	**5,542**	5,102
	9,524	9,805

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms. Property lease agreements include various obligations at the end of the respective lease terms, such as removal of tenant installations and making good any damage caused by installation or removal, removing signage, and other general maintenance obligations (e.g. painting, cleaning). These costs and probability of lease renewals have been estimated for each location, based on specific terms of individual leases, size of the individual sites, and historical experience of costs incurred when vacating a site.

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Lease make good $'000
Consolidated – 2022	
Carrying amount at the start of the year	5,280
Provision recognised on business combination	330
Additional provisions	257
Amounts used	(44)
Carrying amount at the end of the year	5,823

Accounting policy for provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Accounting policy for other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows

23. Equity – contributed capital

	Consolidated		Consolidated	
	30 June 2022 Shares	30 June 2021 Shares	30 June 2022 $'000	30 June 2021 $'000
Ordinary shares – fully paid	**229,070,797**	198,628,698	**322,543**	219,219

Movement in ordinary share capital	Date	Number of Shares	Issue Price	Total $'000
Balances at 1 July 2020		194,684,039		207,437
Shares issued for cash consideration as part of Ascot Radiology acquisition	1 September	85,790	3.40	292
Shares issued for cash consideration as part of Ascot Radiology acquisition	1 September	2,809,625	3.40	9,565
Shares issued under Radiologist Loan & Option Share Scheme1 – Self-Funded	2 September	383,804	3.91	1,500
Shares issued under Radiologist Loan Share Scheme1 - Loan Shares	2 September	509,180	-	-
Shares issued under dividend reinvestment plan (DRP)	1 October	72,675	4.08	298
Shares issued under dividend reinvestment plan (DRP)	6 April	83,585	4.47	374
Capital raising costs		-	-	(139)
Transaction costs on acquisitions in equity		-	-	(108)
Balance at 30 June 2021		198,628,698		219,219
Conversion of performance rights to ordinary shares	30 August	**601,807**	1.70	**1,022**
Shares issued under Radiologist Loan & Option Share Scheme1 – Self-funded2	6 September	**302,367**	4.96	**1,500**
Shares issued under Radiologist Loan Share Scheme1 – Loan Shares	6 September	**507,976**	-	
Shares issued under dividend reinvestment plan (DRP)	6 October	**126,859**	4.72	**598**
Shares issued as consideration as part of X-Ray Group acquisition (Note 34)	1 November	**2,628,205**	4.68	**12,300**
Institutional Accelerated Pro Rata Non Renounceable Entitlement Offer	7 March	**12,515,348**	3.44	**43,053**
Institutional Accelerated Pro Rata Non Renounceable Entitlement Offer	22 March	**13,655,451**	3.44	**46,975**
Shares issued under dividend reinvestment plan (DRP)	4 April	**104,086**	3.73	**389**
Capital raising costs				**(2,875)**
Net income tax effect of transaction costs in equity				**362**
Balance at 30 June 2022		**229,070,797**		**322,543**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and on a poll one vote for each fully paid ordinary share held.

Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the Consolidated Statement of Financial Position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, adjustments may be made to the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group has also initiated a dividend reinvestment plan (DRP) during the prior year to provide its shareholders with the ability to reinvest their dividends into additional share capital.

The Group looks to raise capital when an opportunity to invest in a business or company is seen as value adding relative to the current company's share price at the time of the investment.

The Group is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants;

- net debt to pre-AASB 16 EBITDA not greater than 3.5; and
- fixed charge cover greater than 1.75

The Group has complied with the covenants throughout the reporting period. The calculation basis provided for in the terms to the Group's borrowing facilities allows for the exclusion of the impacts of AASB 16 Leases and the adoption of AASB 16 Leases has not impacted compliance with these financial covenants, nor have the financial impacts of COVID-19.

Accounting policy for contributed capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 24. Equity – reserves

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Share-based payments reserve	**2,440**	4,100
Capital reorganisation reserve	**(3,849)**	(3,849)
Transactions with non-controlling interest	**(8,013)**	(8,013)
Foreign currency translation reserve	**(3,033)**	(1,121)
	(12,455)	(8,883)

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 as part of their compensation for services.

Capital reorganisation reserve

The reserve is used to account for historical capital reorganisation of Lake Imaging Pty Ltd whereby the assets and liabilities of the acquired party are recorded at their previous book values and no goodwill is recognised. Any difference between the cost of the transaction and the carrying amount of the assets and liabilities are recorded directly in this reserve.

Transactions with non-controlling interest

Transactions with non-controlling interest reserve is used to record the differences arising as a result of transactions with non-controlling interests that do not result in a loss of control.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 2. The reserve is recognised in profit and loss when the net investment is disposed of.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payment reserve $'000	Capital re-organisation reserve $'000	Transaction with non-controlling interest $'000	Foreign currency translation reserve $'000	Total $'000
Balance at 1 July 2020	2,020	(3,849)	(8,013)	(958)	(10,800)
Recognition of share-based payments	2,080	-	-	-	2,080
Movement in translation of foreign operations	-	-	-	(163)	(163)
Balance at 30 June 2021	**4,100**	**(3,849)**	**(8,013)**	**(1,121)**	**(8,883)**
Recognition of share-based payments	**(638)**	**-**	**-**	**-**	**(638)**
Conversion of performance rights to ordinary shares	**(1,022)**	**-**	**-**	**-**	**(1,022)**
Movement in translation of foreign operations	**-**	**-**	**-**	**(1,912)**	**(1,912)**
Balance at 30 June 2022	**2,440**	**(3,849)**	**(8,013)**	**(3,033)**	**(12,455)**

The expense recognised for share based payments during the year was based on valuations using the Black Scholes model.

	30 June 2022 $'000	30 June 2021 $'000
Share-based payment expense – Long Term Incentive (LTI) Scheme	**(1,672)**	1,265
Share-based payment expense – Radiologist Loan Funded Share Plan (LFSP)	**1,034**	815
Total expense arising from equity-settled share-based payment transactions	**(638)**	2,080

There were no cancellations or modifications to the awards in 2022 or 2021.

Long-term incentive (LTI) scheme

The following table illustrates the number of, and movements in performance rights issued under long term incentive scheme (LTI) to executives and members of the senior management team during the year. The exercise price of these rights is $Nil.

Under the plan, performance rights only vest with an equity settlement if an EPS growth hurdle and a four year service condition are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

	2022 Number	2021 Number
Outstanding at 1 July	**1,934,938**	1,538,873
Granted during the year	**323,253**	396,065
Forfeited during the year	**-**	-
Converted to ordinary shares during the year	**(601,807)**	-
Expired during the year	**-**	-
Outstanding at 30 June	**1,656,384**	1,934,938
Exercisable at 30 June	**-**	-

The following table lists the inputs to the valuation model used for the LTI plan. In FY2022 the LTI plan was granted to members of the Senior Management Team and the Senior Leadership Team on 26 August 2021, CEO on 5 November 2021 and incoming CFO on 20 December 2021. The varying dates resulted in different valuation metrics applicable to each LTI grant, which are set out respectively below:

	2022 LTI Plan	2021 LTI Plan	2020 LTI (1) Plan	2020 LTI (2) Plan
Weighted average fair values at the measurement date ($)	**4.90/4.53**	3.35/3.75	2.75/3.01	3.08/3.53
Dividend yield (%)	**2.5**	3	3.5	3.5
Expected volatility (%)	**N/A**	N/A	N/A	N/A
Risk-free interest rate (%)	**0.59/1.37**	0.27/0.13	0.72/0.77	0.71/0.72
Expected life of share (years)	**4**	4	4	4
Weighted average share price ($)	**5.39/4.96**	3.91	2.71	2.71
Model used	**Black Scholes**	Black Scholes	Black Scholes	Black Scholes

Radiologist Loan Funded Share & Option Plan (LFSP)

The following tables the number of, and movements in shares and options issued under the Radiologist Loan Funded Share Plan (LFSP). For the year ended 30 June 2022, shares and options were issued to participating radiologists on 1 September 2021.

The value of the shares issued under the plan was $4.96 and a loan equivalent to the issued shares is due and payable at the Radiologist's option. This option can be exercised between 4-10 years from the issue date, once the loan is fully paid the loan shares are released from Escrow and will no longer be subject to Escrow restrictions.

Options were issued in lieu of loan shares to the Group's New Zealand resident radiologists. These options were issued with a strike price of $4.96 and an expiry date of 1September 2031.

	Options	WAEP[1]	Shares	WAEP[1]
Outstanding at 1 July 2020	505,202	2.71	1,695,256	2.70
Granted during the year	258,428	3.91	509,180	3.91
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 30 June 2021	**763,630**	**3.12**	**2,204,436**	**2.98**
Granted during the year	**96,758**	**4.96**	**507,976**	**4.96**
Forfeited during the year	**-**	**-**	**-**	**-**
Exercised during the year	**-**	**-**	**-**	**-**
Expired during the year	**-**	**-**	**-**	**-**
Outstanding at 30 June 2022	**860,388**	**3.32**	**2,712,412**	**3.35**
Exercisable at 30 June	-	-	-	-

1. Weighted average exercise price (WAEP)

The following table lists the inputs to the models used for the LFSP.

	2022 LFSP Options	2022 LSFP Shares	2021 LFSP Options	2021 LSFP Shares
Weighted average fair values at the measurement date ($)	**1.25**	**1.33**	1.59	1.66
Dividend yield (%)	**N/A**	**N/A**	N/A	N/A
Expected volatility (%)	**35**	**35**	40	40
Risk-free interest rate (%)	**0.65**	**0.65**	0.43	0.43
Expected life of instrument (years)	**4.5**	**5**	4.5	5
Weighted average share price ($)	**4.96**	**4.96**	3.91	3.91
Model used	**Black Scholes**	**Black Scholes**	Black Scholes	Black Scholes

Note 25. Equity – retained profits

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Retained profits at the beginning of the financial year	**44,403**	31,693
Profit after income tax expense for the year	**14,603**	31,268
Dividend paid (Note 26)	**(21,850)**	(18,558)
Retained profits at the end of the financial year	**37,156**	44,403

Note 26. Equity – dividends

Dividends

Full franked Dividends paid during the financial year were as follows:

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Dividend paid 4 cents per share on 1 October 2020	**-**	7,734
Dividend paid 5.5 cents per share on 6 April 2021	**-**	10,824
Dividend paid 7 cents per share on 6 October 2021	**13,825**	-
Dividend paid 4 cents per share on 4 April 2022	**8,025**	-
	21,850	18,558

Franking credits

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	**31,335**	25,934

The amount recorded above as the franking credit amount is based on the amount of Australian income tax paid in respect of the liability for income tax at the balance date.

Accounting policy for dividends

Dividends are recognised when declared during the financial year and payment is no longer at the discretion of the Company.

Note 27. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including interest rate and foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign currency risks and ageing analysis for credit risk.

Risk management is carried out by management under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance reports to the Board on a monthly basis.

Market risk

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

As at the reporting date, the Group had the following interest-bearing financial assets and liabilities:

	2022		2022	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash at bank and on deposit	**0.07%**	**123,193**	0.13	62,203
Club debt facility	**2.48%**	**(213,057)**	1.88	(187,969)
Asset finance facility	**1.99%**	**(9,995)**	3.43	(10,759)
Net exposure to cash flow interest rate risk		**(99,859)**		(136,525)

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

If interest rates were to increase/decrease by 100 (2021: 100) basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	Basis points increase effect on			Basis points decrease effect on		
	Basis points change	Profit before tax $'000	Effect on equity post tax $'000	Basis points change	Profit before tax $'000	Effect on equity post tax $'000
2022	**100**	**2,010**	**1,407**	**(100)**	**(2,010)**	**(1,407)**
2021	100	2,031	1,422	(100)	(2,031)	(1,422)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows on an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the New Zealand dollar (NZD). The Group manages its exposure to fluctuations on the translation into Australian dollars of its foreign operations by holding net borrowings in foreign currencies, creating a natural hedging relationship. The Group assessed the remaining risk exposure and given the exchange rate is not expected to fluctuate significantly, has not entered into other hedging relationships. The Group will monitor this risk on an ongoing basis.

Foreign Currency Sensitivity

	Change in NZD Rate	Effect on profit post tax $'000	Effect on equity $'000
2022	**+2.5c**	**(80)**	**(1,580)**
	-2.5c	**80**	**1,580**
2021			
	+2.5c	(166)	(1,770)
	-2.5c	166	1,770

The following table demonstrates the sensitivity to a reasonably possible change in NZD exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in translation rates. The impact on the Group's equity is due to changes in the fair value of the net investment.

Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks. Credit risk for trade receivables is managed by completing credit checks for new customers. Outstanding receivables are regularly monitored for payments in accordance with credit terms. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Consolidated Statement of Financial Position and notes to the financial statements. The Group does not hold any collateral.

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

The credit risk for derivative financial instruments arises from the potential failure of the counter-party to meet its obligations. The credit risk exposure of forward contracts is the net fair value of these contracts.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Subject to the continuance of satisfactory credit ratings and compliance with banking covenants, the bank loan facilities may be drawn at any time and have a maturity of 3 years, 8 months (2021: 4 years, 8 months). The bank loan facilities are interest-only repayments.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

As at 30 June 2022	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contracted cashflows $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	8,419	-	-	-	8,419
Other payables	-	14,202	-	-	-	14,202
Deferred consideration	-	16,376	2,500	5,736	-	24,612
						-
Interest-bearing – variable						-
Club debt facility	2.48%	10,936	10,936	333,253	-	355,125
Asset financing facility	1.99%	5,638	2,444	2,209	-	10,291
Property lease liabilities	3.50%	13,914	12,696	23,292	75,710	125,612
Total non-derivatives		69,485	28,576	364,490	75,710	538,261

As at 30 June 2021	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contracted cashflows $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	4,753	-	-	-	4,753
Other payables	-	15,518	-	-	-	15,518
Deferred consideration	-	15,863	526	6,720	-	23,109
Interest-bearing – variable						
Club debt facility	1.88	4,949	4,949	204,852	-	214,750
Asset financing facility	3.43	6,916	3,642	512	-	11,070
Property lease liabilities	3.50	14,273	13,873	26,305	84,654	139,105
Total non-derivatives		62,272	22,990	238,389	84,654	408,305

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

28. Key management personnel disclosures

Compensation

The aggregate compensation paid to Directors and other members of the Key Management Personnel of the Group is set out below:

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Short-term employee benefits	**4,148,660**	3,719,334
Post-employment benefits	**173,976**	148,479
Long-term employee benefits	**1,494**	61,713
Share-based payments	**(1,208,431)**	933,650
	3,115,699	4,863,176

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company:

	Consolidated	
	30 June 2022 $	30 June 2021 $
Audit services		
PricewaterhouseCoopers Australia		
Audit and review of the financial statements		
Consolidated group	**422,000**	337,000
Controlled entities	**-**	30,000
	422,000	367,000
Other services		
PricewaterhouseCoopers Australia		
Due diligence and tax advisory services	**-**	133,266
Tax compliance services	**42,713**	150,148
Other services	**2,945**	-
	45,658	283,414
Network firms of PricewaterhouseCoopers		
Tax compliance and company secretarial services	**-**	78,828
Due diligence and tax advisory services	**-**	2,525
	-	81,353
Total other services	**45,658**	364,767
Total remuneration	**467,658**	731,767

The Company has considered and approved the nature of the non-audit fees and, in line with the Company's Non-Audit Services Policy, are satisfied with the independence of PricewaterhouseCoopers as auditor and are comfortable that the $45,658 of non-audit fees are appropriate.

Note 30. Contingent liabilities

The Group has given bank guarantees as at 30 June 2022 of $2.9million (2021: $2.5 million) to various landlords.

As disclosed in Note 20, the settlement payment for Earn Out A due to the vendors of Imaging Queensland is subject to the dispute settlement process provided for in the Share and Asset Sale Agreement (SASA).

Note 31. Commitments

As at 30 June 2022, there were capital commitments for plant and equipment and leasehold improvements of $24.9 million (2021: $8.9 million).

Note 32. Related party transactions

Parent entity

Integral Diagnostics Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 35.

Joint ventures

Interests in joint ventures are set out in Note 16.

Key management personnel

Disclosures relating to Key Management Personnel are set out in Note 28 and the Remuneration Report on pages 22 - 37.

All transactions with KMP are made on commercial arm's length terms and conditions, and in the ordinary course of business. The Board has an established Related Party Transaction Policy, which is overseen by the Audit, Risk and Compliance Committee (ARCC), to ensure that related party transactions are managed and disclosed in accordance with the Corporations Act, ASX Listing Rule 10.1, accounting requirements and in accordance with good governance practices, to ensure that a financial benefit is not provided to related parties without approval by the Board, and where required, shareholders. It is the Board's policy that independent reviews will be undertaken on any renewals and these reviews will be overseen by the ARCC.

The following transactions occurred with related parties:

	Consolidated $[1]	% interest	KMP interest $
30 June 2022			
Nil			
30 June 2021			
Payment for rental of buildings to Eleven Eleven How Pty Ltd of which Dr Chien Ping Ho is related	250,077	6.25%	15,630
Payment for rental of buildings to Kiwi Blue Pty Ltd of which Dr Chien Ping Ho is related	148,388	9.09%	13,488

1. Amounts represent the rental payments for the period of the year in which Dr. Ho was a member of KMP (1 July 2020 through 1 April 2021 inclusive).

The above FY21 related party transactions are historic in nature and relate to leases assumed from previous vendors when the business was privately held. In FY21, Dr Chien Ho had a 6% interest in Eleven Eleven How Pty Ltd and a 9% interest in Kiwi Blue Pty Ltd. The leases cover four properties located in Ballarat, Ocean Grove and Melton.

Loans to related party

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Loan to key management personnel		
Balance at the beginning of the year	**470,747**	-
Balance on appointment as KMP	**-**	470,747
Repayments	**(16,089)**	-
Loans balance held on appointment as KMP	**454,658**	470,747

Dr. Bokani is a full-time radiologist employed by the Group. The loan above arose on Dr Bokani's participation in the radiologist loan share scheme in 2019, prior to his appointment as a director. The non-recourse loan was made on an interest-free basis, is subject to a 4-year continuous service condition, has a 10-year term, and is repayable in full on 1 March 2029 and is thus accounted for as a share option. These terms are consistent with those offered to other radiologists under rules governing the loan share scheme.

Note 33. Parent entity information

Summary financial information

The individual financial statements for the parent entity, Integral Diagnostics Limited, show the following aggregate amounts.

Statement of Profit or Loss and Other Comprehensive Income

	Parent	
	30 June 2022 $'000	30 June 2021 $'000
Profit after income tax	**7,025**	25,328
Total comprehensive income	**7,025**	25,328

Statement of Financial Position

	Parent	
	30 June 2022 $'000	30 June 2021 $'000
Total current assets	**67,013**	12,558
Total assets	**443,429**	365,662
Total current liabilities	**7,473**	9,636
Total liabilities	**101,652**	116,071
Equity		
Contributed capital	**322,543**	219,219
Share-based payments reserve	**2,440**	4,100
Retained profits	**20,992**	26,272
Total equity	**345,975**	249,591

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity is party to the deed of cross guarantee, as disclosed in Note 36.

Contingent liabilities

Except as disclosed in Note 30, there are no other contingent liabilities of the parent entity as at 30 June 2022 and 30 June 2021.

Capital commitments – property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 2, except for the following:
- investments in subsidiaries are accounted for at cost, less an impairment, in the parent entity;
- investments in associates are accounted for at cost, less any impairment, in the parent entity; and
- dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 34. Business combinations

Effective 1 November 2021, the Group acquired the shares of the X-Ray Group which:
- comprises leading radiology clinics in Albury and Wodonga, as well as three smaller community clinics in Wangaratta, Yarrawonga and Lavington;
- employs three radiologists under long term employment arrangements including Dr James Mullins, a highly experienced radiologist, who has worked in the Albury-Wodonga and Northeast region for 25 years;
- has a projected FY22 EBITDA contribution, of between $5.0m and $5.5m, on a pro-forma full year basis and before any COVID-19 impacts;
- has one full MRI licence;
- is EPS accretive in year one before any COVID-19 impacts; and
- has strong growth opportunities and potential operational synergies.

The key terms of the acquisition included:
- upfront purchase consideration of $36.8m on a cash and debt free basis, comprising $24.8m in cash and $12.0m in new ordinary IDX shares;
- FY22 earn-out of up to $4.0m and FY23 earn-out of up to $2.5m, subject to EBITDA performance hurdles; and
- deferred consideration of up to $1.0m payable on the third anniversary of completion of the transaction.

The purchase price accounting has now been finalised, with the final values identified being:

	Provisional acquisition fair value $'000	Adjustments to fair value $'000	Final acquisition fair value $'000
Plant and equipment	4,298	89	4,387
Right-of-use assets	8,999	-	8,999
Customer contracts	430	-	430
Brand names	1,100	-	1,100
Deferred tax	(129)	-	(129)
Lease liabilities	(8,999)	-	(8,999)
Employee benefits	(764)	-	(764)
Provisions	(1,406)	-	(1,406)
Cash assets	834	-	834
Working capital assets	1,823	(110)	1,713
Working capital liabilities	(2,193)	-	(2,193)
Net assets acquired	3,993	(21)	3,972
Goodwill	39,366	610	39,976
Acquisition-date fair value of the total consideration transferred	43,359	589	43,948
Representing:			
Cash paid to vendor	24,859	589	25,448
Integral Diagnostics Limited shares issued to vendor	12,000	-	12,000
Contingent consideration	6,500	-	6,500
	43,359	589	43,948
			-
Net cash acquired with subsidiary	(834)	-	(834)
Cash paid	24,859	589	25,448
Net cash flow on acquisition	24,025	589	24,614

Acquisition-related costs

Acquisition-related costs of $268,599 have been expensed in transaction and integration costs for the period.

Contingent consideration

The contingent consideration arrangement requires the Group to pay the vendors of the X-Ray Group Pty Ltd further consideration, up to a maximum undiscounted amount of $6,500,000 subject to meeting EBITDA hurdles in financial years 2022 and 2023. There is no minimum amount payable.

Acquired receivables

The fair value of acquired trade receivables was $1,013,275. The gross contractual amount for trade receivables due is $1,013,275, with a nil loss allowance recognised on acquisition.

Revenue and profit contribution

The X-Ray Group has contributed revenues of $8,967,318 to the Group for the period from 1 November 2021 to 30 June 2022. The net profit contribution cannot be reliably measured due to this requiring the use of estimates and judgements around extracted synergies and allocation of shared costs for which objective information is limited. Similarly, it is impracticable to provide pro-forma revenue and net profit as if the acquisition of X-Ray Group had occurred on 1 July 2021, as this would require assessment of the impact of COVID-19 in the pro-forma period, which would be judgemental and hypothetical.

Accounting policy for business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Refer to Note 20 for further details on the Group's accounting policy for contingent consideration.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill.

Business combinations are initially accounted for on a provisional basis. The provisional opening balance amounts are only adjusted retrospectively during the measurement period, and based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer received all the information possible to determine fair value.

Business combinations under common control use the principals of corporate reorganisation. The difference between the acquisition-date historical book value of assets acquired, liabilities assumed and any non-controlling interest in the acquired and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as a capital reorganisation in reserves, and not as goodwill.

35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

Name of entity	Principal place of business/ country of incorporation	Ownership interest 2022 %	Ownership interest 2021 %
Lake Imaging Pty Ltd	Australia	**100**	100
Radploy Pty Ltd	Australia	**100**	100
Radploy 2 Pty Ltd	Australia	**100**	100
Radploy 3 Pty Ltd	Australia	**100**	100
Radploy 4 Pty Ltd	Australia	**100**	100
Global Diagnostics (Australia) Pty Ltd	Australia	**100**	100
SCR Corporate Pty Ltd	Australia	**100**	100
RAD Corporate Pty Ltd	Australia	**100**	100
Integral Diagnostics No. 1 Pty Ltd	Australia	**100**	100
Imaging Queensland Pty Ltd	Australia	**100**	100
Queensland Nuclear Medicine Pty Ltd	Australia	**100**	100
Advanced Women's Imaging Pty Ltd	Australia	**100**	100
Imaging Queensland IP Pty Ltd	Australia	**100**	100
Radiology 24/7 Pty Ltd	Australia	**100**	100
Sunshine Coast Radiology Pty Ltd	Australia	**100**	100
SC Radiology Pty Ltd	Australia	**100**	100
Central Queensland Radiology Pty Ltd	Australia	**100**	100
CQ Radiology Pty Ltd	Australia	**100**	100
IQ Radiology Pty Ltd	Australia	**100**	100
IQ Radiology Services Pty Ltd	Australia	**100**	100
Integrated Pain Management Pty Ltd	Australia	**100**	100
Bodyscreen Pty Ltd	Australia	**100**	100
X-Ray Group Pty Ltd	Australia	**100**	-
Martlesham Pty Ltd	Australia	**100**	-
Warby X-Ray Services Pty Ltd	Australia	**100**	-
Wang X-Ray Unit Trust	Australia	**100**	-
Tern Hill Pty Ltd	Australia	**100**	-
Yarrawonga X-Ray Services Pty Ltd	Australia	**100**	-
Yarra X-Ray Unit Trust	Australia	**100**	-
Specialist Radiology Group Limited	New Zealand	**100**	100
Trinity MRI Limited	New Zealand	**100**	100
Cavendish Radiology Limited[1]	New Zealand	**-**	100
Integral Diagnostics New Zealand Limited	New Zealand	**100**	100
Astra Radiology Limited	New Zealand	**100**	100
Ascot at Maranui Limited	New Zealand	**100**	50
Insight Radiology Limited	New Zealand	**100**	100

1. Amalgamated with Specialist Radiology Group Limited (IDX Group entity) during FY22.

Note 36. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

- Integral Diagnostics Limited (formerly known as Lake Imaging Holdings Pty Ltd)
- Lake Imaging Pty Ltd
- Radploy Pty Ltd
- Radploy 2 Pty ltd
- Radploy 3 Pty Ltd
- Radploy 4 Pty Ltd
- Global Diagnostics (Australia) Pty Ltd
- SCR Corporate Pty Ltd
- RAD Corporate Pty Ltd
- Integral Diagnostics No. 1 Pty Ltd
- Imaging Queensland Pty Ltd
- Queensland Nuclear Medicine Pty Ltd
- Advanced Women's Imaging Pty Ltd
- Imaging Queensland IP Pty Ltd
- Radiology 24/7 Pty Ltd
- Sunshine Coast Radiology Pty Ltd
- SC Radiology Pty Ltd
- Central Queensland Radiology Pty Ltd
- CQ Radiology Pty Ltd
- IQ Radiology Pty Ltd
- IQ Radiology Services Pty Ltd
- Integrated Pain Management Pty Ltd
- Bodyscreen Pty Ltd
- Martlesham Pty Ltd
- The X-Ray Group Pty Ltd
- Warby X-Ray Services Pty Ltd
- Tern Hill Pty Ltd
- Yarrawonga X-Ray Services Pty Ltd

By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare financial statements and a Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission (ASIC).

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Integral Diagnostics Limited, they also represent the 'extended closed group'.

The consolidated statement of profit or loss, consolidated statement of comprehensive income, summary of movements in consolidated retained earnings and consolidated statement of financial position of the entities that are members of the Closed Group are as follows:

Consolidated Statement of Profit or loss and Comprehensive income

	Note	30 June 2022 $'000	30 June 2021 $'000
Revenue			
Revenue		**319,333**	304,482
Interest, management fees and dividends eliminated on consolidation		**2,548**	2,309
Interest and other income		**39**	80
Total revenue and other income		**321,920**	306,871
Expenses			
Consumables		**(16,877)**	(14,892)
Employee benefits expense		**(202,009)**	(178,519)
Depreciation expense		**(18,067)**	(16,771)
Amortisation expense		**(12,266)**	(11,166)
Transaction and integration expenses		**(5,353)**	(2,219)
Share based payment expense		**637**	(2,080)
Equipment related expenses		**(11,430)**	(10,587)
Occupancy expenses		**(6,689)**	(6,262)
Other expenses		**(25,285)**	(20,904)
Finance costs		**(7,030)**	(6,539)
Share of net profits of joint ventures accounted using the equity method		**(141)**	-
Total expenses		**(304,510)**	(269,939)
Profit before income tax expense		**17,410**	36,932
Income tax expense		**(5,677)**	(11,845)
Profit for the year from continuing operations		**11,733**	25,087
Profit is attributable to:			
Owners of Integral Diagnostics Limited		**11,733**	25,087
Comprehensive income			
Items that may be reclassified to profit & loss:			
Net (loss)/gain on cash flow hedges		**-**	-
Total comprehensive income		**11,733**	25,087

Consolidated Statement of Financial Position

	Note	30 June 2022 $'000	30 June 2021 $'000
Assets			
Current assets			
Cash and cash equivalents		**88,313**	51,174
Trade and other receivables		**17,912**	12,357
Other assets		**6,239**	13,814
Inventory		**1,177**	849
Total current assets		**113,641**	78,194
Non-current assets			
Investment		**46,348**	39,681
Property, plant and equipment		**110,354**	95,782
Right-of-use assets		**90,452**	82,523
Intangibles		**257,952**	217,159
Deferred tax asset		**16,723**	15,276
Total non-current assets		**521,829**	450,421
Total assets		**635,470**	528,615
Liabilities			
Current liabilities			
Trade and other payables		**20,222**	17,795
Borrowings		**5,470**	6,543
Lease liabilities		**10,510**	9,206
Income tax payable		**(3,361)**	3,707
Provisions		**22,780**	19,548
Deferred consideration		**16,376**	13,020
Total current liabilities		**71,997**	69,819
Non-current liabilities			
Borrowings		**109,150**	107,504
Lease liabilities		**90,445**	82,142
Deferred consideration		**8,236**	5,514
Deferred tax liability		**10,840**	10,113
Provisions		**8,882**	9,142
Total non-current liabilities		**227,553**	214,415
Total liabilities		**299,550**	284,234
Net assets		**335,920**	244,381
Equity			
Contributed capital		**322,543**	219,219
Reserves		**(9,422)**	(7,764)
Retained profits		**22,799**	32,926
Total equity		**335,920**	244,381

Note 37. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Profit after income tax expense for the year	**14,603**	31,268
Adjustments for:		
Depreciation and amortisation	**36,699**	34,914
Loan establishment costs amortisation/write-off	**408**	429
Share-based payments	**(637)**	2,080
(Profit)/loss on the sale of assets	**(175)**	419
Remeasurement of make good provisions	**(60)**	(41)
(Reversal)/recognition of contingent consideration	**(1,688)**	735
Bad debts	**(214)**	87
Unrealised FX loss (gain)	**155**	(179)
Share of profits/(losses) of joint venture	**158**	(18)
Capitalised refinance costs	**-**	(1,835)
Change in operating assets and liabilities, net of the effects of business combinations:		
Increase in trade and other receivables	**(3,436)**	(2,918)
Increase in deferred taxes	**(646)**	(1,873)
Increase in other operating assets and inventory	**1,846**	2,300
Increase/(decrease) in trade and other payables	**433**	736
Increase/(decrease) in contingent consideration	**(3,309)**	(735)
Increase/(decrease) in provision for income tax	**(9,203)**	(799)
Increase /(decrease) in other provisions	**2,165**	5,002
Net inflow cash from operating activities	**37,100**	69,572

Reconciliation of liabilities arising from financing activities

Consolidated	Property leases due within 1 year $'000	Property leases due after 1 year $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Balance as at 1 July 2020	9,608	86,499	13,177	168,564	277,848
Business combination	739	11,788	-	-	12,527
New leases net of terminations	-	10,762	-	-	10,762
Impact of liability maturity for period	9,850	(9,850)	9,724	(9,724)	-
Cash flows	(9,995)	-	(16,786)	33,345	6,564
FX	225	-	427	-	652
Balance as at 1 July 2021	10,427	99,199	6,542	192,185	308,353
Business combination	**578**	**8,460**	**-**	**-**	**9,038**
New leases net of terminations		**11,308**	**-**	**-**	**11,308**
Impact of liability maturity for period	**12,768**	**(12,768)**	**88,756**	**(88,756)**	**-**
Cash flows	**(11,498)**	**-**	**(89,828)**	**114,153**	**12,827**
FX	**(535)**	**-**	**-**	**-**	**(535)**
Balance as at 30 June 2022	**11,740**	**106,199**	**5,470**	**217,582**	**340,991**

Net debt reconciliation

	30 June 2022 $'000	30 June 2021 $'000
Cash and cash equivalents	**123,193**	62,203
Borrowings – repayable within one year	**(5,470)**	(6,543)
Borrowings – repayable after one year[1]	**(217,582)**	(194,221)
Net Debt	**(99,859)**	(138,561)
Cash and liquid investments	**123,193**	62,203
Gross debt – variable interest rates	**(223,052)**	(200,764)
Net Debt	**(99,859)**	(138,561)

1. Non-current borrowings per Note 20 includes $2.04m (2020: $0.63m) of capitalised funding establishment costs.

Note 38. Earnings per share

	30 June 2022 $'000	30 June 2021 $'000
Profit after income tax Non-controlling interest	**14,603**	31,268
Non-controlling interest	**-**	-
Profit after income tax attributable to the owners of Integral Diagnostics Limited	**14,603**	31,268

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**209,370,731**	197,919,010
Adjustments for calculation of diluted earnings per share:		
Weighted average number of performance rights over ordinary shares	**2,160,053**	1,799,299
Weighted average number of options over ordinary shares	**337,955**	718,317
Weighted average number of ordinary shares used in calculating diluted earnings per share	**211,868,739**	200,436,626

	Cents	Cents
Basic earnings per share attributable to the owners of Integral Diagnostics Limited	**7.0**	15.8
Diluted earnings per share attributable to the owners of Integral Diagnostics Limited	**6.9**	15.6

Accounting policy for earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 39. Events after the reporting period

Acquisition of Peloton Radiology

On 1 July 2022, the Group completed its acquisition of Peloton Radiology, a scale provider of diagnostic imaging services with a strategic presence from Brisbane to the Sunshine Coast in the high growth corridor of South East Queensland.

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

	Provisional acquisition fair value $'000
Plant and equipment	11,342
Right of use assets	9,033
Deferred tax	216
Lease liabilities	(9,385)
Employee benefits	(2,159)
Cash assets	459
Working capital assets	1,433
Working capital liabilities	(1,588)
Net assets acquired	9,351
Goodwill	61,142
Acquisition-date fair value of the total consideration transferred	70,493
Representing:	
Cash paid to vendor	58,332
Integral Diagnostics Limited shares issued to vendor	7,213
Contingent consideration	4,948
	70,493
Net cash acquired with subsidiary	(459)
Cash paid	58,332
Net cash flow on acquisition	57,873

Acquisition of Horizon Radiology

Also on 1 July 2022, the Group completed its acquisition of Horizon Radiology, a significant provider of obstetrics and musculoskeletal x-ray and ultrasound services that provides the Group with the opportunity to expand its presence and offering in the Auckland market.

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

	Provisional acquisition fair value $'000
Plant and equipment	8,741
Deferred tax	(2,003)
Borrowings	(200)
Employee benefits	(353)
Cash assets	593
Working capital assets	959
Working capital liabilities	(462)
Net assets acquired	7,275
Goodwill	23,759
Acquisition-date fair value of the total consideration transferred	31,034
Representing:	
Cash paid to vendor	26,512
Integral Diagnostics Limited shares issued to vendor	1,810
Contingent consideration	2,712
	31,034
Net cash acquired with subsidiary	(593)
Cash paid	26,512
Net cash flow on acquisition	25,919

Radiologist Loan Funded Share Plan and Matching Options Plan operations

Following approval of their participation, on 4 August 2022, $1.3 million of Radiologist contributions were received in connection with the Radiologist Loan Funded Share Plan and the New Zealand Matching Options plan. These contributions are to be matched by an IDX contribution of $2.7 million, resulting in $4.0 million of share capital/options to be issued on 5 September 2022. The number of shares/options to be issued will be determined by the 30-day VWAP up to 30 August 2022.

Dividend declaration

Subsequent to year end a dividend of 2.0 cents per share was declared and will be paid on 5 October 2022.

Other matters or circumstances

No other matter or circumstances has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs until future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the accounting standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject to virtue of the deed of cross guarantee described in Note 36 to the financial statements.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*. On behalf of the Directors

Helen Kurincic	**Ian Kadish**
Chair	Managing Director and Chief Executive Officer

29 August 2022

Independent auditor's report

To the members of Integral Diagnostics Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Integral Diagnostics Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality
• For the purpose of our audit we used overall Group materiality of $1.4 million, which represents approximately 5% of the Group's profit before tax excluding transaction and integration expenses of $5.5 million. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group profit before tax excluding transaction and integration costs because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope
• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group operates in Australia and New Zealand. All audit procedures are performed by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill and indefinite life brand names *Refer to note 14 - $378m* At 30 June 2022, the Group has a goodwill balance of $352.5m and indefinite life brand names and trademarks of $25.5m, which represents approximately 48% of the total assets of the Group. At least annually, an impairment test is performed by the Group over the goodwill and indefinite life brand names and trademarks in each of the Group's cash generating units ("CGU's") based on value in use discounted cash flow models (the models). The Group's goodwill and indefinite life brand names and trademarks are recognised in two CGUs – Australia and New Zealand. Significant judgement is required by the Group to estimate the key assumptions in the models to determine the recoverable amount of goodwill and indefinite life brands and trademarks, and the amount of any resulting impairment (if applicable). The key assumptions applied by the Group include: • Discount rates which reflect economic and financial market conditions • Five-year cash flow projections (Cash flow forecasts) • Earnings growth rates applied beyond the initial five-year period (Long term growth rates) We considered the carrying value of goodwill and indefinite life brand names and trademarks to be a Key Audit Matter because they are significant to the consolidated statement of financial position and there is significant judgement involved in estimating discounted future cash flows.	We performed the following procedures, amongst others: • Evaluated the Group's assessment of the determination of cash generating units • Assessed the appropriateness of selected assumptions used to estimate the future cash flows • Engaged internal experts to assess the appropriateness of the discount rates and long term growth rates used in the models • Considered the historical accuracy of the Group's cash flow forecasts by comparing the forecasts used in the prior year value-in-use calculations to the actual performance of the Group in the year to 30 June 2022 • Re-performed a selection of calculations in the value-in-use models to assess the mathematical accuracy of the models • Assessed the sensitivity to change of key assumptions used in the models that would result in an impairment of assets We evaluated the disclosures made in Note 14, including those regarding key assumptions in light of the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Accounting for business combinations *Refer to note 34* During the year, the Group acquired X-Ray Radiology Group (X-Ray) for consideration of $43.9m in a combination of cash, shares and contingent consideration. The Group has recognised the fair value of assets and liabilities, which included goodwill of $40.0m. We considered this a Key Audit Matter given the financial significance of the acquisition and the complex judgements required by the Group in accounting for the acquisition, including: ● Identifying all assets and liabilities of the newly acquired business and estimating the fair value of each asset and liability for initial recognition by the Group. This requires management to make assumptions around discount rate, asset useful life and forecast results. The Group was assisted by an external valuation expert in this process. ● Identifying whether consideration paid relates to the vendor's role as a shareholder of the vendor company or employee and the associated accounting treatment of the consideration. ● Estimating the purchase price consideration, particularly in respect of the contingent earnout consideration payable on the achievement of certain performance targets.	 With assistance from PwC valuation experts we performed the following procedures, amongst others: ● Evaluated the Group's accounting by considering the requirements of Australian Accounting Standards, key transaction agreements, and our understanding of the business acquired ● Assessed the fair values of the acquired assets and liabilities recognised Evaluated the disclosures made in Note 34, in light of the requirements of Australian Accounting Standards. In relation to the estimation of contingent consideration, our procedures included, amongst others: ● Assessing if the calculation of the contingent consideration was in accordance with the contractual arrangements and the requirements of Australian Accounting Standards ● Assessing the Group's evaluation of whether the conditions required for the contingent consideration to be paid were likely to be met in the future based upon actual performance since acquisition and current Group forecasts.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 35 to 53 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Integral Diagnostics Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Jason Perry
Partner

Melbourne
29 August 2022

SHAREHOLDER INFORMATION

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report follows. This information is current as at 3 August 2022.

a. Top 20 shareholders – ordinary shares

Rank	Name	Number of fully paid ordinary shares	% of issued capital
1	Citicorp Nominees Pty Limited	36,394,336	15.71
2	HSBC Custody Nominees (Australia) Limited	34,336,850	14.82
3	J P Morgan Nominees Australia Pty Limited	27,231,553	11.76
4	National Nominees Limited	12,404,313	5.36
5	BNP Paribas Noms Pty Ltd <DRP>	7,877,178	3.4
6	BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	4,863,255	2.1
7	New Imaging Pty Ltd <New Imaging A/C>	3,389,045	1.46
8	Lethean Holdings Pty Ltd <Howitt No 8 A/C>	2,944,760	1.27
9	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,897,983	1.25
10	Firbar Pty Ltd <The Howitt No 4 A/C>	2,813,469	1.21
11	Washington H Soul Pattinson and Company Limited	2,700,000	1.17
12	J A Mullins Pty Ltd <James A Mullins Family A/C>	2,616,051	1.13
13	HSBC Custody Nominees (Australia) Limited - A/C 2	2,392,398	1.03
14	Mr Vincent Michael O'sullivan <O'sullivan A/C>	2,171,000	0.94
15	Wyndham Salter Pty Ltd <The Howitt No 10 A/C>	2,161,849	0.93
16	Lockwood Ridge Pty Ltd <The AJ French Family A/C>	2,133,633	0.92
17	Mittal Holdings Pty Ltd <Howitt No 12 A/C>	2,085,907	0.9
18	BNP Paribas Noms (NZ) Ltd <DRP>	1,761,070	0.76
19	NW3 Pty Ltd <The Howitt No 7 A/C>	1,595,286	0.69
20	HSBC Custody Nominees (Australia) Limited <Nt-ComnwlthSuper Corp A/C>	1,569,325	0.68
Top 20 holders of ordinary fully paid shares (total)		**156,339,261**	**67.49**
Total remaining holders balance		**75,291,828**	**32.51**

b. Register of substantial shareholdings

Shareholder	Number of fully paid ordinary shares	% of issued capital
Integral Diagnostics Limited[1]	25,136,066	10.97
Perennial Value Management Limited	14,464,803	7.13
Norges Bank	12,359,363	5.3954

1. Restriction on disposal of shares issued under voluntary escrow arrangements and employee incentive schemes disclosed in Integral Diagnostics Limited's Prospectus dated 9 October 2015, the announcements to ASX on 27 October 2015, 1 July 2016, 16 February 2018, 2 July 2018, 8 November 2019, 28 August 2020, 28 October 2021 (and as set out in the IPO Restriction Deed, WDR Restriction Deed, NZ1 Restriction Deed, NZ Boyer Restriction Deed, NZ Gee Restriction Deed GMI Restriction Deed, IQ Restriction Deeds , Ascot Restriction Deeds and XRG Restriction Deeds, Regional Incentive Plan, and the Radiologist Loan Share Scheme and NZ Matching Options Offer) gives Integral Diagnostics a relevant interest in its own shares under section 608(1)(c) of the Corporations Act. Integral Diagnostics has no right to acquire these shares or to control the voting rights attached to these shares.

c. Distribution of shareholders – ordinary shares

Range	Total holders	Number of fully paid ordinary shares	% Issued capital
1 to 1,000	2,309	1,073,268	0.46
1,001 to 5,000	2,685	6,910,774	2.98
5,001 to 10,000	827	5,981,693	2.58
10,001 to 100,000	800	20,707,021	8.94
100,001 and over	124	196,958,333	85.03
Rounding			0.01
Total	**6,745**	**231,631,089**	**100**

d. Less than marketable parcels of ordinary shares

There are 406 shareholders holding less than a marketable parcel of ordinary shares (i.e. less than $500 per parcel of shares) based on the Company's closing share price of $3.17 at the 3 August 2022.

e. Distribution of unquoted securities – performance rights

Range	Number of performance rights over ordinary shares	%	Number of holders of performance rights	%
1 to 1,000	-	-	-	-
1,001 to 5,000	-	-	-	-
5,001 to 10,000	-	-	-	-
10,001 to 100,000	131,986	7.97	3	33.33
100,001 and over[1]	1,524,398	92.03	6	66.67
Total	**1,656,384**	**100**	**9**	**100**

1. All Performance Rights are issued under the Company's Equity Incentive Plan. Dr Ian Kadish holds greater than 20% of the performance rights; 777,559.

f. Distribution of unquoted securities – options

Range	Number of options over ordinary shares	%	Number of holders of options	%
1 to 1,000	-	-	-	-
1,001 to 5,000	-	-	-	-
5,001 to 10,000	-	-	-	-
10,001 to 100,000	350,158	40.70	7	70.00
100,001 and over	510,230	59.30	3	30.00
Total[1]	**860,388**	**100**	**10**	**100**

1. All options have been issued under the Company's Equity Incentive Plan.

SHAREHOLDER INFORMATION

g. Voting rights

In accordance with the Company's Constitution, each member present at a meeting, whether in person, by proxy, by power of attorney or by a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands and one vote for each fully paid ordinary share on a poll.

Holders of performance rights and options do not have voting rights.

h. On-market buy-backs

There is no current on market buy back.

i. Securities subject to voluntary escrow

Class	Expiry Date	Number of fully paid ordinary shares
Ordinary	30-Sep-22	50,559
Ordinary	8-Nov-22	3,257,577
Ordinary	1-Jul-23	401,765
Ordinary	2-Jul-23	43,946
Ordinary	3-Jul-23	2,659,183
Ordinary	1-Sep-23	965,141
Ordinary	8-Nov-23	3,257,574
Ordinary	1-Jul-24	401,765
Ordinary	2-Jul-24	43,946
Ordinary	1-Sep-24	965,133
Ordinary	1-Nov-24	876,068
Ordinary	7-Nov-24	3,257,573
Ordinary	1-Jul-25	533,539
Ordinary	1-Sep-25	965,141
Ordinary	1-Nov-25	876,068
Ordinary	1-Jul-26	178,146
Ordinary	1-Nov-26	876,069
Ordinary	1-Jul-27	178,137
Total shares on issue subject to voluntary escrow		**19,787,330**

The above table details only those shares that are subject to voluntary escrow arrangements. It does not include securities issued under an employee incentive scheme that have restrictions on their transfer such as a holding lock under the terms of the scheme. The expiry date noted above is the date at which the escrow period ends under the terms of the relevant restriction deed. The actual dates of release may differ due to the restriction deeds containing certain exceptions from the dealing restrictions, including death/permanent incapacity, leaving the business and the Board applying discretion.

CORPORATE DIRECTORY

Directors

Helen Kurincic – Independent Non-Executive Chair
Ian Kadish – Managing Director and Chief Executive Officer
John Atkin – Independent Non-Executive Director
Raelene Murphy – Independent Non-Executive Director
Andrew Fay – Independent Non-Executive Director commenced 18 July 2022
Dr Jacqueline Milne – Executive Director
Dr Nazar Bokani – Executive Director
Rupert Harrington – Independent Non-Executive Director resigned 19 December 2021

Company Secretary

Mrs Kirsty Lally

Annual General Meeting

Date: 4 November 2022 Time 10:00am

Registered office

Suite 9.02 Level 9, 45 William Street
Melbourne, Victoria 3000
T + 61 3 5339 0704

Share register

Computershare Investor Services Pty Ltd Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067
T 1300 787 272

Auditor

PricewaterhouseCoopers
Level 19, 2 Riverside Quay
Melbourne, Victoria 3006

Solicitors

Herbert Smith Freehills
80 Collins Street
Melbourne, Victoria 3000

Bankers

Westpac Banking Group
Commonwealth Bank of Australia

Stock exchange listing

Integral Diagnostics Limited shares are listed on the Australian Securities Exchange (ASX code: IDX)

Website

integraldiagnostics.com.au

Corporate Governance Statement

The Corporate Governance Statement was approved by the Board of Directors on 29 August 2022 and can be found at:
www.integraldiagnostics.com.au/corporate-governance

ESG Report

The ESG Report was approved by the Board of Directors on 29 August 2022 and can be found at:
www.integraldiagnostics.com.au/reports

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