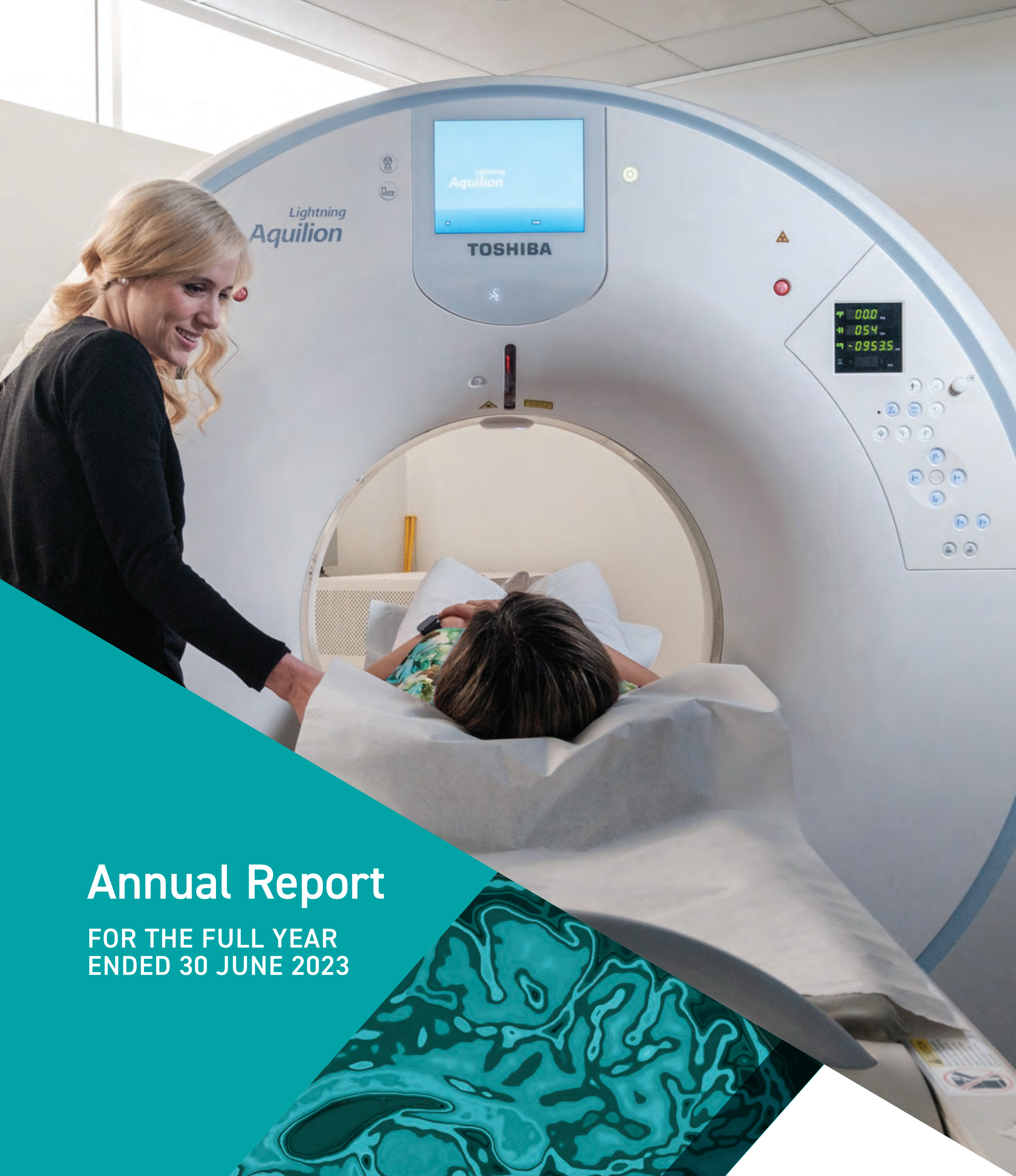


Annual Report

FOR THE FULL YEAR
ENDED 30 JUNE 2023

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.

OUR
VISION
a healthier world

OUR
PURPOSE
deliver the best health outcomes for our patients

OUR
VALUES

patients first
PATIENTS ARE AT THE HEART OF EVERYTHING WE DO

medical leadership
IMPROVING OUTCOMES WITH EVIDENCE BASED CARE

everyone counts
WE WORK SAFELY, INCLUSIVELY AND RESPECT EACH OTHER

create value
DELIVER SUSTAINABLE VALUE TO ALL STAKEHOLDERS

embrace change
STRIVE FOR EXCELLENCE, HAVE THE COURAGE TO INNOVATE

CONTENTS

HEAD OFFICE

Wurundjeri Country

Suite 9.02 Level 9, 45 William Street
Melbourne, Victoria 3000

T +61 5339 0704

ABN 55 130 832 816 Printed on 100% Recycled Paper

2.5M+
Examinations
Conducted by IDX Group

1.04M+
Patients
Visited our clinics

54K+
Referrers
Trusted us

248
Radiologists
Report on our Examinations

2,010+
Employees
Put our Patients First

Overview

OUR BRANDS

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.

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));
- 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.

Group Overview

idx integral DIAGNOSTICS

Core Markets	Australia and New Zealand		
Sites	91	Comprehensive sites[1]	35
MRI machines	37	Full MRI licences	16
		Partial MRI licences	7
PET scanners	6		
Employed Radiologists[2,3]	165	Number of Employees[4]	1,843

Queensland

Imaging Queensland

Established in 2011 on the Sunshine Coast and has expanded across South East Queensland. Imaging Queensland provides diagnostic imaging services at 16 branches. The Imaging Queensland network comprises:

- Sunshine Coast Radiology
- Central Queensland Radiology
- IQ Radiology

Core Markets	Sunshine Coast, Rockhampton and Gladstone		
Sites	16	Comprehensive sites[1]	7
MRI machines	6	Full MRI licences	3
		Partial MRI licences	2
PET scanners	-		
Employed Radiologists[2]	26	Number of Employees[4]	328

X-Ray & Imaging (Peloton Radiology)

A local diagnostic imaging provider based on the Sunshine Coast. X-Ray & Imaging (Peloton Radiology) provides services at 9 sites and the network includes:

- CitiScan Radiology
- Lime Radiology and
- Diagnostic Imaging for Women

Core Markets	Brisbane and Sunshine Coast		
Sites	9	Comprehensive sites[1]	3
MRI machines	3	Full MRI licences	-
		Partial MRI licences	3
PET scanners	-		
Employed Radiologists[2]	6	Number of Employees[4]	180

South Coast Radiology

Since 1967, South Coast Radiology (SCR) has provided radiology services on the Gold Coast. It provides medical imaging services to the Tweed, Gold Coast, Darling Downs and Mackay communities.

Core Markets	Gold Coast, Toowoomba and Mackay		
Sites	17	Comprehensive sites[1]	8
MRI machines	9	Full MRI licences	5
		Partial MRI licences	2
PET scanners	2		
Employed Radiologists[2]	38	Number of Employees[4]	430

OUR BRANDS

Western Australia

Apex Radiology

Established in 1996, Apex Radiology provides patients in rural and regional communities in Western Australia access to diagnostic imaging services. Apex Radiology has recently opened in the Perth metro area. Apex also provides Radiology and Teleradiology services to WACHS (Western Australia Country Health Service).

Core Markets	South West Western Australia		
Sites	6	Comprehensive sites[1]	4
MRI machines	3	Full MRI licences	2
		Partial MRI licences	-
PET scanners	1		
Employed Radiologists[2]	13	Number of Employees[4]	199

Victoria

Lake Imaging

Lake Imaging has been offering radiology services to patients throughout Geelong, Central and Western Victoria for over 20 years. It currently operates 18 clinics in locations including Ballarat, Geelong, Warrnambool, North Melbourne and outer western areas of Melbourne

Core Markets	Ballarat, Geelong, Warrnambool and outer western areas of Melbourne		
Sites	18	Comprehensive sites[1]	6
MRI machines	8	Full MRI licences	4
		Partial MRI licences	-
PET scanners	2		
Employed Radiologists[2]	43	Number of Employees[4]	391

The X-ray Group

Since 2007, the X-ray Group have delivered diagnostic medical imaging services to the local communities of Albury, Wodonga, Wangaratta, Yarrawonga and Lavington.

Core Markets	Albury, Wodonga, Wangaratta, Yarrawonga and Lavington		
Sites	5	Comprehensive sites[1]	2
MRI machines	2	Full MRI licences	2
		Partial MRI licences	-
PET scanners	-		
Employed Radiologists[2]	4	Number of Employees[4]	71

New Zealand

AstraRadiology
TrinityMRI
SRGRadiology
HorizonRadiology

Astra, SRG and Horizon Radiology | Trinity MRI

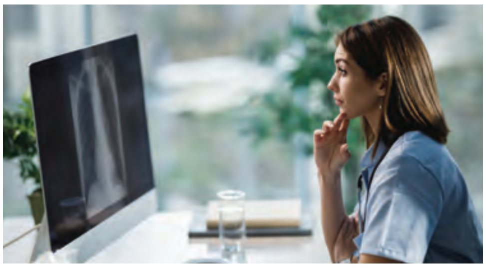
IDX New Zealand brands located in Auckland provide patients with radiology services, across all diagnostic imaging modalities; MRI, CT, PET CT ultrasound, digital breast tomosynthesis and plain x-rays.

Trinity MRI is a diagnostics imaging facility dedicated to Brain, Spine and Neurovascular imaging.

Core Markets Auckland

Sites	20	Comprehensive sites[1]	5
MRI machines	6	Full MRI licences	NA
		Partial MRI licences	NA
PET scanners	1		
Employed Radiologists[3]	35	Number of Employees[4]	244

Teleradiology



idxt
TELERADIOLOGY

IDXt

IDXt is an overflow and after hours teleradiology provider.

IDXt offers teleradiology services to hospitals and radiology clinics across Australia and New Zealand.

Providing a service supported by RANZCR accredited Radiologists, IDXt offers urgent, routine and overflow teleradiology services.

These tables reflect data current at 30 June 2023.

1. Comprehensive sites include a range of radiology equipment including MRI's and CT's and are located with or near major specialist referrers.

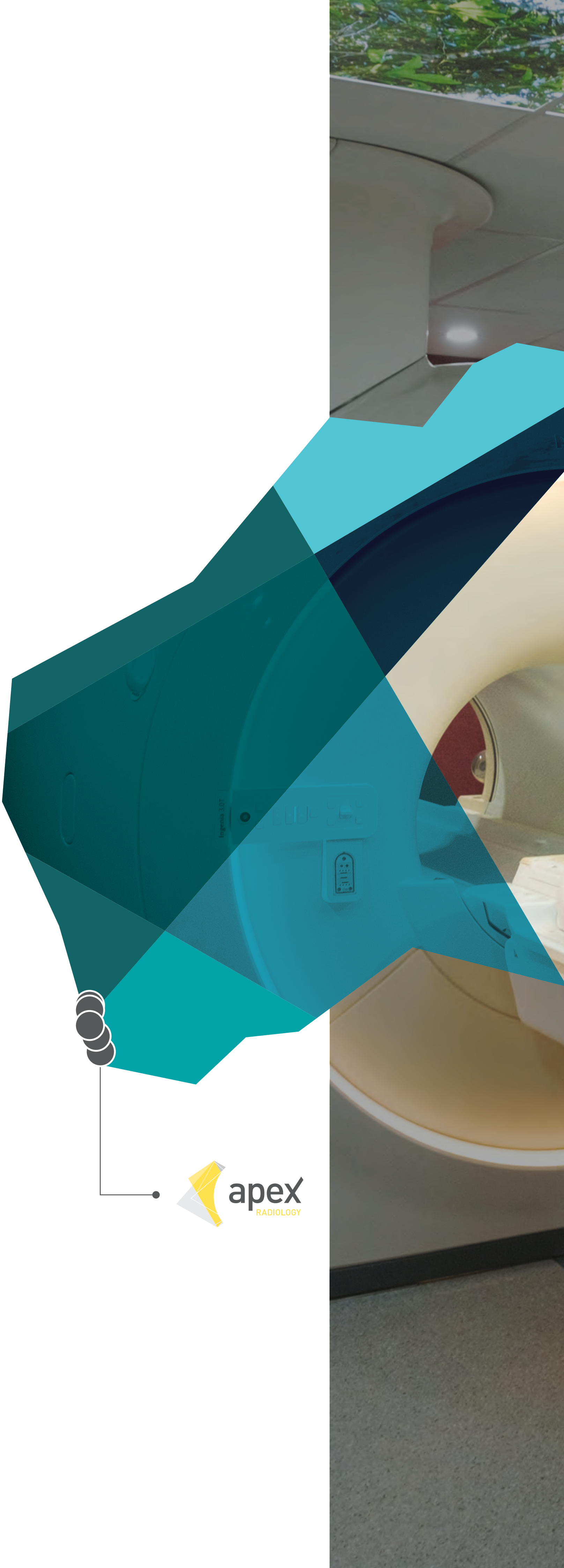
2. Relates to employed radiologists only. In addition, IDX has had 83 contractor radiologists providing services.

3. 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.

4. 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 167 employees in the corporate office (including IDXt) totalling 2,010 employees.

GROUP LOCATIONS AND HISTORY

1967	The practice that would become South Coast Radiology is established
2002	Lake Imaging established in Ballarat, VIC
2007	Darling Downs and Mackay Radiology Sunshine Coast Radiology practices opened
2011	Lake Imaging acquired Western Medical Imaging
2012	Lake Imaging acquired Ballarat MRI
2014	Lake Imaging merged with South Coast Radiology in QLD and Integral Diagnostics was formed Acquired 60% of Global Diagnostics in WA
2015	Acquired remainder of Global Diagnostics in WA Integral Diagnostics 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 Integral Diagnostics has been included in the ASX Top 300 Acquired Ascot Radiology, NZ
2021	Acquired The X-Ray Group, NSW & VIC
2022	Acquired Horizon Radiology, NZ Acquired Peloton Radiology Group, QLD




idxt
TELERADIOLOGY
MACKAY
RADIOLOGY
CENTRAL QUEENSLAND
RADIOLOGY
imaging
QUEENSLAND
SUNSHINE COAST
RADIOLOGY
X-RAY &
IMAGING
SOUTH COAST
RADIOLOGY
Astra
Radiology
SRG
Radiology
Trinity
MRI
Horizon
Radiology
the x-ray group
Lake
imaging

CHAIR'S LETTER

The Company believes the underlying fundamentals of the essential radiology industry remain strong and the Company is confident that, in the absence of extraordinary circumstances, patient volumes will continue to grow over time, as evidenced by the continued recovery of patient volumes in FY23.

Dear fellow shareholders,

On behalf of the Board, I present to you the 2023 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 2.5 million exams on over one million patients.

During the financial year ended 30 June 2023 the diagnostic imaging industry saw a continued improvement in operating conditions, especially during the second half of the financial year, as our communities recovered from the challenges brought on by COVID-19, albeit in a higher inflation and higher interest rate environment.

Financial Results

In this environment the IDX group delivered a materially stronger second half profit result. In Australia, IDX gained further revenue market share in FY23, with organic revenue growing at 7.0% vs 4.8% industry growth in the States where IDX operates. Our people have worked hard to deliver the best possible outcomes for our patients and will continue to do so to improve the performance of your Company.

For the financial year ended 30 June 2023, operating NPAT declined by 17.6% to $17.8m, albeit operating NPAT of $10.0m in the second half grew strongly by 28.0% compared to $7.8m in the first half. Statutory NPAT increased by 71.5% to $25.0m, reflecting the favourable impact of non-operating transactions. Operating diluted earnings per share decreased by 26.0% to 7.6 cents per share (cps).

Revenue grew 22.1% to $440.8m, with an additional four months of X-Ray Group revenue when compared to the prior year and a full year contribution from both Peloton Radiology and Horizon Radiology, who became part of the IDX group on 1 July 2022. The increase in operating revenue was also driven by solid growth in our existing businesses, being organic growth of 7.0% in Australia and 4.4% in New Zealand.

As at 30 June 2023, our net debt to equity ratio was 52.1% and the Net Debt/EBITDA ratio was 2.9x, or 2.8x on an annualised second half run-rate basis, down from 3.1x at 31 December 2022.

We declared a fully franked final dividend of 3.5cps, a total of 6.0cps for FY23, a decrease of 14.3% on the prior year reflecting the performance of your Company.

The Company believes the underlying fundamentals of the essential radiology industry remain strong and the Company is confident that, in the absence of extraordinary circumstances, patient volumes will continue to grow over time, as evidenced by the continued recovery of patient volumes in FY23.

Total capital expenditure was $45.2m, with $19.1m relating to growth initiatives to expand our footprint and services to patients. This included investing in two new greenfield sites, additional diagnostic equipment and the development and implementation of technology to enhance the patient and referrer experience.

In line with our priorities, we have focused on integrating our recent acquisitions to position ourselves well to take advantage of the expected future growth in patient volumes.

Governance

IDX announced a number of Board changes, which commenced with the appointment of Mr Andrew Fay as an independent, non-executive Director in July 2022. This appointment was ratified by shareholders at the Annual General Meeting (AGM) in November 2022. Mr Fay took over from Mr John Atkin in June 2023 as the Chair of the People, Culture and Remuneration Committee.

As part of its succession plan, the Company also announced the appointment of Ms Ingrid Player as a non-executive director. Ms Player will commence on the 29 August 2023, to take over from Mr John Atkin who is stepping down from the Board on 31 August 2023. Mr Atkin has been a valuable member of the Board of IDX since its listing in October 2015 and I would like to thank him for his significant contribution and dedication to the business over his tenure. Ms Player's knowledge of the healthcare industry as well as legal and environmental experience will be a valuable addition to the Board and I look forward to her contribution in the future.

Dr Nazar Bokani stepped down as an Executive Radiologist Director on 9 August 2023, given his relocation overseas. I would like to thank Dr Bokani for his radiologist leadership and contribution to the Board.

The Board has continued the advancement of its environmental, social and governance (ESG) responsibilities which will be outlined in IDX's dedicated ESG Report which will be available prior to our AGM.

On behalf of the Board, I would like to thank our whole team of over 2,000 employees led by our Managing Director & CEO, Dr Ian Kadish, for their commitment to the shared IDX ambition to build a healthier world by combining the best people and technology to provide diagnostic imaging services that deliver the best possible outcomes for our patients.

I would also like to express my gratitude to my fellow directors for their commitment and to our shareholders for their ongoing support. I look forward to connecting with you, our shareholders, both in person and online, at our Annual General Meeting in November.

Helen Kurincic

Chair
28 August 2023

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,

I am pleased to report that the last financial year has seen a steady and constant improvement in industry and company performance, as conditions have been normalising following the challenges driven by the Covid-19 pandemic. In particular, I am pleased to report that your Company delivered a materially stronger second half in FY23, consistent with the outlook we provided when announcing our first half results. Calendar year 2022 was the most challenging year that the radiology industry in Australia and New Zealand had experienced in a generation, and it was gratifying to see the market steadily returning in the second six months of the financial year ended 30 June 2023.

Across Australia, radiology receipts from Medicare were up 6.5% in FY23. Importantly, industry receipts were up 9.5% in the second half of the financial year. In the states where IDX operates, industry receipts were up 4.8% in FY23, and were up 9.0% in the second half. The industry recovery in the second half of FY23 was strong.

In Australia, IDX's organic revenue growth exceeded industry growth nationally and in the States where IDX operates, and similarly was up strongly in the second half of FY23, growing 4.2% in the first half and 10.3% in the second half. IDX therefore gained further revenue market share in the FY23 year, with organic revenue growing at 7.0% vs 4.8% industry growth in the states where IDX operates.

In New Zealand, IDX organic revenue growth was 4.4% in FY23[1], increasing 4.1% in the first half and 4.7% in the second half. First half growth was impacted by new referrer-owned radiology practices, and the impact of these reduced over the course of the year as the market adjusted to new referral pathways. In FY23, New Zealand accounted for 12% of IDX Group revenue.

Your Company also increased operating margins materially in the second half, improving the operating EBITDA margin from 18.5% in the first half to 20.2% in the second half, demonstrating the strong operating leverage in IDX's business. The resultant improved cash flows have driven an improvement in our leverage ratio. Our net debt:EBITDA ratio improved from 3.1x at 31 December 2022 to 2.9x at 30 June 2023, with the annualised second half net debt:EBITDA ratio improving further to 2.8x.

Industry Trends

Our industry benefits from being at the confluence of two major global trends – demographic and technological. Demographically, the ageing of the population and the increased prevalence of chronic disease will drive demand for diagnostic services well into the future. Technologically, digitisation and the growth of big data and AI will materially improve the quality and efficiency of the care we deliver.

Radiology industry growth rates around the world are reverting to their long-term trend, including the accelerating move to high value studies like MRI, PET scans and high speed CT. Importantly, general practitioners and other primary care physicians have increasing access to high value modalities that were previously limited to specialist referrers. In addition, the enhanced role that radiology plays in early detection and disease prevention is becoming increasingly recognised as AI technology drives new industry initiatives like Whole Body Screening MRI; AI-enhanced screening for early detection of breast, cardiac and prostate disease; and faster detection and management of disease as new AI algorithms move abnormal findings to the top of the radiologist worklist. Your company is well positioned to benefit from these international trends.

Similarly, Australian radiology growth rates are also reverting to their long-term trend, as indicated by the strong industry growth numbers in the second half of FY23. The inclusion of PET-CT on the Medicare Benefit Schedule (MBS) for the diagnosis and management of metastatic prostate disease has been a material addition to the MBS that obviates a battery of other pathology and radiology tests that were previously required, improving quality and saving costs. PET-CT is now incorporated into the diagnostic and management protocols of 40% of all solid tumours. Neurologically, the use of PET-CT scanning for early detection of Alzheimer's disease has also been a valuable addition to the Medicare schedule. Similarly, the decision by

[1] New Zealand does not publish industry growth numbers.

Medicare to rebate all regional MRI's is an important change that helps narrow the gap between medical service provision in regional compared to urban areas. Healthcare is a local service and the ability to access Medicare rebateable MRI scans in more regional areas is an important enhancement to healthcare quality and service outside our major cities.

Alleviating the Medical Skills Shortage

The skills shortage, of doctors and clinical staff, remains the limiting constraint to our growth. The reopening of borders for immigration into Australia and New Zealand is making a meaningful difference in 2023 as we once again welcome international medical graduates, clinical and technical staff into our radiology clinics. Just as importantly, we have also been able to welcome new referrers to IDX, as our borders have opened up to internationally trained general practitioners and specialists. International Medical Graduates are compelled to work in regional areas for up to 10 years after entering Australia. These doctors are essential to the continued provision of quality healthcare services in the regional areas and their presence substantially enhances the performance of regional IDX clinics. The material increase in immigration to both countries also increases the number of patients we are able to serve.

We are also addressing the skills shortage internally by investing in an internal training school for sonographers, fellowship opportunities and sub-specialty training for radiologists, and the development of close working relationships with industry training programs. For the past five years we have sponsored the graduating ceremony for new RANZCR trained radiologists, and our practice leaders build and foster their relationships with radiology registrars from early in their training programs.

Importantly, our investment in new artificial intelligence (AI) and digital technologies that improve quality and efficiency also helps to address the skills shortage. The use of technologies like digitised radiology information systems (RIS) and Picture Archiving and Communication Systems (PACS) facilitated tremendous improvements in radiologist efficiencies over the past decade and longer. In more recent years, teleradiology has contributed to additional productivity gains and facilitated quality improvements through increased access to sub-specialty reporting. Teleradiology also provided many radiologists with the ability to work from home during the depths of the Covid-19 pandemic. IDX launched its teleradiology business unit, IDXt, in August of 2020, and IDXt has been the fastest growing business unit in the IDX Group since that time.

Going forward, AI will play an even more important role in improving radiologist quality and efficiency. IDX has been an early mover in the adoption of AI algorithms that improve patient care, save lives and improve efficiency. We invested in our first AI algorithms in Western Australia in 2019 and have progressively widened the offering and introduced more AI algorithms to more IDX practices across the Group. There is little doubt that the increasing use of AI over the next decade will transform both radiology and medical practice and will allow us to see more patients, detect and treat more disease earlier, and save more quality life years.

MedX Joint Venture

During FY23 both IDX and the Medica Group in the UK, through our 50:50 joint venture MedX, continued to explore opportunities to build an international teleradiology business. After full consideration, both parties have elected to focus our resources on the material opportunities in our own home markets in the short to medium term, and to effectively make the MedX joint venture dormant, while leaving open the possibility of reactivating it at some point in the future.

IDX serviced over a million patients in FY23

In FY23, IDX served over one million patients and performed more than 2.5 million exams on behalf of 55 thousand general practitioners, specialists and other medical referrers in Australia and New Zealand.

Inflationary Pressures

Wage inflation significantly impacted IDX margins in FY23. The company provided CPI-level increases to many of our clinical and support staff on 1 July 2022. These increases were minimally offset by the 1.6% increase in Medicare reimbursement, the limited reimbursement increases received in New Zealand, and out of pocket price increases. In addition, in the first half of FY23, IDX experienced significant cost pressures from increased sick leave, increased consumable costs for PPE, and price increases and logistical delays for new radiology equipment and spare parts. Most of these impacts were ameliorated in the second half of FY23. Sick leave in the second half, in particular, was well down vs the prior comparable period.

Financial Performance

FY23 revenue is up 22.1%, operating EBITDA is up 13.9% while operating NPAT is down 17.6% vs FY22, driven by increased finance costs, both in interest paid on the Group's borrowings as well as the AASB16 impact related to our long-term leases. Importantly, second half FY23 revenue is up 4.3%, operating EBITDA is up 14.2% and operating NPAT is up 28.0% vs the first half of FY23.

Our second half margin of 20.2% is materially up on the first half margin of 18.5%. Importantly, our exit margin in FY23 is well above the margin entering FY23.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S LETTER

Living our Values

At IDX, our vision is to build a healthier world, and we do this by delivering the best health outcome for every patient. We are defined by our five values – put patients first, demonstrate medical leadership, ensure that everyone counts, create value for all stakeholders, and embrace change as the last few years have taught us to do. We live these shared values at IDX, on the patient care frontline and in all the support areas. We hire based on our values, we promote and demote based on our values, and sometimes we part ways based on our values.

Our values define us as healthcare professionals, caregivers and support staff. These values differentiate our company, even amongst our healthcare peers. Our values build our culture, our commitment to practice good medicine, and our patient first ethos. We know that by putting our patients first, we will also be putting our shareholders first as our shareholders benefit from the sustainable value created by our patient first ethos.

Growth and Acquisitions

We invested $19.1m in growth initiatives in FY23, investing in two new greenfield sites, and in several brownfields where we expanded the capacity and scope of services at some of our busiest clinics.

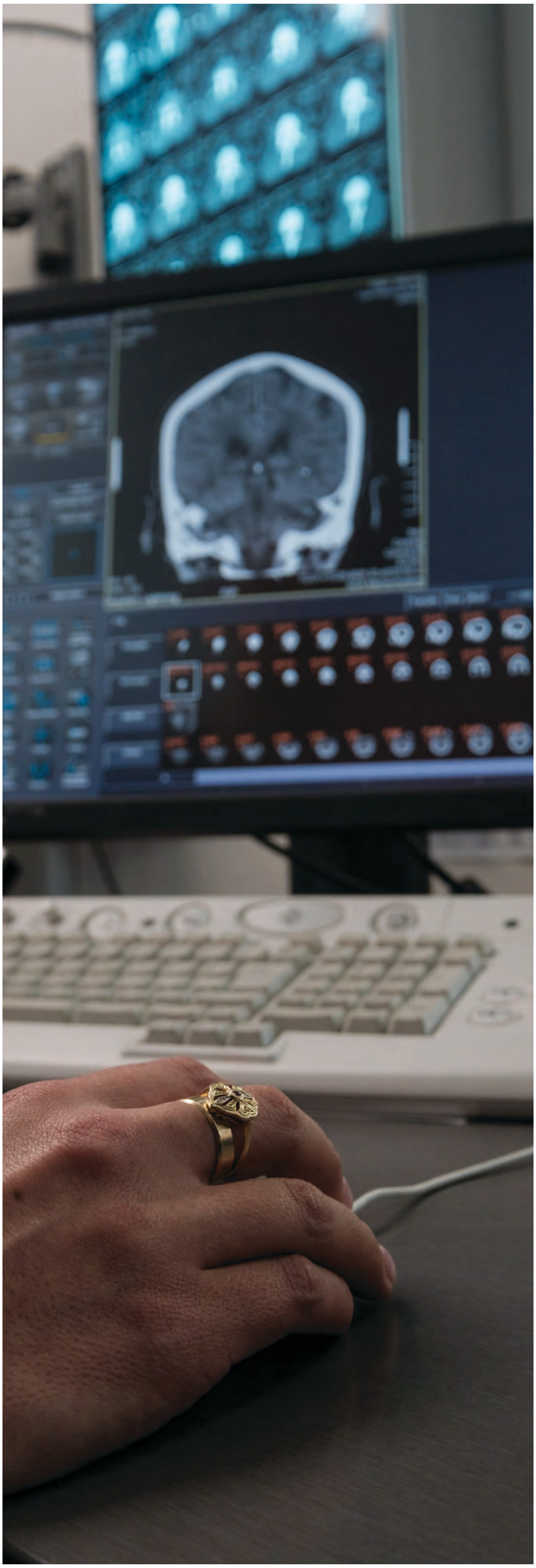
The two new greenfield sites, at Pimpama on the northern part of the Gold Coast in Queensland (opened June 2023); and Waiata Shores in Greater Auckland (opened February 2023), serve important growing markets contiguous to our existing service areas.

The brownfield developments included three PET-CT upgrades, at Greenlane in Auckland, at John Flynn Private Hospital on the Gold Coast and at the St John of God Hospital in Ballarat. We upgraded MRIs in Bunbury, Rockhampton and on the Gold Coast. We also developed a new upgraded facility in Auckland.

We completed and integrated two strategically important acquisitions on 1 July 2022:

- The acquisition of Peloton Radiology (announced 23 February 2022). Peloton Radiology comprises 12 radiologists, nine clinics and three partial MRI licenses. The group provides radiology services from the Sunshine Coast to the Brisbane CBD, and its acquisition links our large Gold Coast and Sunshine Coast practices.
- The acquisition of Horizon Radiology in Auckland (announced 18 May 2022). Horizon Radiology operates eight radiology clinics in greater Auckland, providing X-ray and ultrasound obstetrics and MSK services, and is located close to major general practitioner referrers. Horizon Radiology provides IDX in New Zealand with access to a wider general practitioner market, which complements our predominantly specialist offerings in Auckland.

The acquisitions have both performed in line or better than our other IDX practices in the same geographic areas.



Our People

Our people, the 2,010 individuals employed and contracted by IDX, will always be the heart of our business. These are the dedicated doctors and staff who work every day to provide the best possible health outcome to every patient we serve.

IDX employee engagement levels continued to increase in FY23 and exceed hospital and radiology industry benchmarks. This is a pleasing result in our quest to become the industry's employer of choice for radiologists and staff.

FY24 Priorities

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

- Drive organic earnings growth, including through cost management, selective price increases and brownfield as well as greenfield investments;
- 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
- Consider accretive acquisitions that represent a strong clinical, cultural and strategic fit.

Going Forward

I am optimistic about our ability to grow strongly going forward. Industry fundamentals are strong and radiology plays both an important preventative as well as a curative role in improving health outcomes. Australia and New Zealand have growing and ageing populations that require more diagnostic support, for earlier detection and for ongoing management. New imaging technologies continue to provide for better, safer and earlier care. The long-term trend towards more valuable diagnostic modalities will continue as MRI and PET-CT's continue to grow in diagnostic importance. Teleradiology and AI will continue to transform and improve quality, service and efficiency levels. Your Company is strategically well positioned to benefit from these important trends.

The regulatory environment too, is now more favourable. The gap between Medicare reimbursement and inflation has narrowed. Medicare has increased radiology reimbursement by 3.6% from 1 July 2023 and by a further 0.5% expected from 1 November 2023. International borders in both countries have opened up for qualified medical and technical graduates, helping to address the skills shortage within our practices, increasing the number of doctors who refer to us, and increasing the number of patients we can serve.

Strong industry fundamentals, a more favourable regulatory environment, and improving company performance allow us to focus on both organic and inorganic growth opportunities.

In closing, I'll 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 include some the finest healthcare professionals in the world. Their professionalism, dedication and commitment to our patients and referrers remains 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.

Good medicine is still good business.

Sincerely,

Dr Ian Kadish

Managing Director and Chief Executive Officer
28 August 2023

DIRECTORS' REPORT
For the year ended 30 June 2023

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 2023.

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 24; and
- the Remuneration Report commencing on page 33.

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)
Andrew Fay (Independent Non-Executive Director) commenced 18 July 2022
Dr Jacqueline Milne (Executive Director)
Dr Nazar Bokani (Executive Director) resigned 9 August 2023

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 24 of the Annual Report, sets out information on the business strategies, prospects and likely developments for future financial years. The expected results from those operations in future financial years have not been included because they depend on factors such as general economic conditions, the risks outlined and the success of IDX's strategies, some of which are outside the control of the Group.

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 24 of the Annual Report.

Dividends paid in the year ended 30 June 2023

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

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Dividend paid 7.0 cents per share on 6 October 2021	**-**	13,825
Dividend paid 4.0 cents per share on 4 April 2022	**-**	8,025
Dividend paid 3.0 cents per share on 5 October 2022	**6,885**	-
Dividend paid 2.5 cents per share on 4 April 2023	**5,755**	-
	12,640	21,850

Significant changes in the state of affairs

Effective from 1 July 2022, the Group completed the acquisition of Peloton Radiology and Horizon Radiology. Details of these acquisitions 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 10 August 2023, the Group announced the resignation of Dr Nazar Bokani and Mr John Atkin from the Board of Directors, effective 9 August 2023 and 31 August 2023 respectively. The Group also announced the appointment of Ms Ingrid Player to the Board of Directors, effective 29 August 2023.

The Board approved participation in the Radiologist Loan Funded Share Plan and New Zealand Matching Options Plan and subject to receipt of radiologist contributions by 30 August 2023 of $0.33m, these contributions will be matched by an IDX contribution of $0.66m, resulting in $0.99m of equity securities to be issued on 6 September 2023. The number of equity securities to be issued will be determined by the 30-day VWAP up to 1 September 2023.

The performance condition relating to the performance rights issued as part of the FY19 and FY20 Long Term Incentive (LTI) awards was tested on the 28 August 2023 and the performance required for vesting was not met for either the FY19 and FY20 LTI awards and as a result 877,621 performance rights lapsed.

Subsequent to year end a dividend of 3.5 cents per share was declared and will be paid on 4 October 2023.

Other than those detailed above, no other matters or circumstances have arisen since 30 June 2023 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.

Details of our Environment, Social and Governance (ESG) activities will be published in our FY23 ESG Report prior to our Annual General Meeting and will be available on the Company's website at https://integraldiagnostics.com.au/reports/.

Information on Directors

Helen Kurincic
Independent Non-Executive Chair
MBA, FAICD, FGIA, 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) and HBF Health Limited. 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, Culture 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 a Director 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 583,578 rights (directly)

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

Mr 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	Member of the People, Culture and Remuneration Committee Member of the Audit, Risk and Compliance Committee Member of Nomination Committee
Interests in shares	187,526 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 Bega Limited (ASX:BGA), Elders Limited (ASX:ELD) and Tabcorp Holdings Limited (ASX:TAH).

Former directorships (in the last three years)	Clean Seas Seafood Limited (ASX:CSS) – Non-Executive Director - (2018 to 2020) Altium Limited (ASX:ALU) – Non-Executive Director - (2016 to 2022)
Special responsibilities	Chair of the Audit, Risk and Compliance Committee Member of the People, Culture 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

Mr 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 Chair of Growthpoint Properties Australia (ASX:GOZ), 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	Chair of the People, Culture and Remuneration Committee Member of the Audit, Risk and Compliance Committee Member of the Nomination Committee
Interests in shares	23,000 ordinary shares (directly) and 17,000 ordinary shares (indirectly)

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

Dr Nazar Bokani was appointed as a Director of IDX on 26 April 2021 and resigned as a Director of IDX on 9 August 2023. Dr Bokani was a radiologist of the Company and was therefore considered by the Board to be a Non-Independent Executive Director. While Dr Bokani was not an independent director by virtue of his radiologist role, he was independent of senior management and his responsibilities did 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 was the Chair of the Company's Artificial Intelligence (AI) Steering Committee up until his resignation on 9 August 2023. He also contributed to 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 (directly)

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 practising 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	25, 200 ordinary shares (directly)

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

The numbers of meetings of the IDX board of directors and of each board committee held during the year ended 30 June 2023, and the numbers of meetings attended by each director were:

	Board		Audit, Risk and Compliance Committee		People and Remuneration Committee		Nomination Committee	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Helen Kurincic	15	15	7	7	5	5	3	3
Dr Ian Kadish	15	15	–	–	–	–	–	–
John Atkin	15	15	7	7	5	5	3	3
Raelene Murphy	15	14	7	7	5	4	3	3
Dr Jacqueline Milne	15	15	–	–	–	–	–	–
Dr Nazar Bokani	15	14	–	–	–	–	–	–
Andrew Fay[1]	15	15	7	7	5	5	1	1

1. Andrew Fay was appointed as a Director of the Company on 18 July 2022 and was appointed a member of the Nomination Committee on the 23 February 2023.

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. Dr Bokani was a member of this Committee up until his resignation on 9 August 2023.

The Integral Clinical Leadership Committee (ICLC) met five 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	4

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 is chaired by Mr Fay and its members include Dr Ian Kadish and Chief Financial Officer (CFO), Mr Craig White, with the Board Chair attending the meetings when relevant. The Mergers and Acquisitions Working Group was not convened during the year due to the Group's focus on the integration of the recent acquisitions.

Options and performance rights

As at the date of this report, IDX had 1,377,523 performance rights outstanding (2022: 1,656,384). For further details on the performance rights, refer to note 24 in the Notes to the Financial Statements.

As at the date of this report, IDX had 923,342 options outstanding (2022: 860,388). For further details on the options, refer to note 24 in the Notes to the Financial Statements.

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.

Audit and 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. In the current year, there were no non-audit services provided by the External Auditor.

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 55.

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 of 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

Chair

Ian Kadish

Managing Director and Chief Executive Officer

28 August 2023
Melbourne

OPERATING AND FINANCIAL REVIEW

For the year ended 30 June 2023

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 which commences on page 57 and the ASX announcement and full year results presentation dated 28 August 2023.

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 35 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, being Queensland, Victoria, Western Australia and New Zealand. Refer to Page 4 to view 'Our Brands'.

Year in Review

Financial performance overview

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[1,2]	30 June 2023 Actual $m	30 June 2022 Actual $m
Revenue	**440.8**	360.9
Other revenue	**0.4**	0.1
Total revenue and other income	**441.2**	361.0
Operating EBITDA	**85.2**	74.8
Operating EBITA	**43.8**	41.0
Operating NPAT	**17.8**	21.7
Non-operating transactions net of tax		
Remeasurement of contingent consideration liabilities	**15.8**	-
Transaction and integration benefits/(costs)	**(4.9)**	(5.5)
Share based expenses	**(1.9)**	0.6
Share of net profit of joint ventures	**(0.3)**	-
Amortisation of customer contracts	**(1.5)**	(2.2)
Statutory NPAT	**25.0**	14.6
Operating EBITDA as a % of revenue	**19.3%**	20.8%
Operating NPAT as a % of revenue	**4.0%**	6.0%
Operating diluted EPS (earnings per share)	**7.6**	10.2
Statutory diluted EPS (earnings per share)	**10.6**	6.9
Return on operating assets (based on Operating NPAT)	**5.6%**	6.3%
Declared dividend pay-out ratio on Operating NPAT	**77.9%**	68.6%

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. For further information on non-IFRS measures used in this report, including a reconciliation to statutory financial information, refer to the 'Non-IFRS Financial Information' section on pages 118 to 122 of this report.
2. Return on operating assets has been calculated using the LTM organic operating NPAT (plus trailing acquisitions NPAT) of $17.8m (FY22: $23.3m).

IDX's results for FY23 reflect the combination of a relatively weak first half (1H FY23) performance together with a materially stronger second half (2H FY23) profit result, demonstrated by an improvement in Group EBITDA margins by 1.7% to 20.2% for 2H FY23 and illustrating the operating leverage in the business. In addition, leverage reduced by 0.2x to 2.9x as at 30 June 2023 (being 2.8x on a 2H FY23 annualised run-rate basis). The materially stronger second half result is consistent with the outlook provided at the time of the 1H FY23 results release on 17 February 2023.

The Group continued to experience challenging trading conditions in 1H FY23, with modest underlying growth in Australia, reflecting a slow gradual recovery in patient volumes, limited price increases and favourable mix impact, offset by significant cost pressures, especially higher labour costs, driven by inflation and labour market supply constraints, together with higher interest funding costs.

The improved results for 2H FY23 compared to 1H FY23 were driven by:

- Stronger organic revenue growth in Australia of 10.3% in 2H FY23 vs 4.1% in 1H FY23, with average fees per exam growth of 6.1% in 2H FY23 vs 5.2% in 1H FY23
- Stronger organic revenue growth in New Zealand of 4.7% in 2H FY23 vs 4.1% in 1H FY23, with average fees per exam growth of 0.4% in 2H FY23 vs (5.2%) in 1H FY23
- Labour cost growth of 3.6% 2H vs 1H FY23, being below revenue growth of 4.3%
- Lower 2H vs 1H FY23 operating expenditure (excluding labour) of $1.4m reflecting management's focus on reducing operating expenditure, together with a reassessment of make good provisions for leased premises

In Australia, IDX recorded solid gains in revenue market share, evidenced by a 7.0% revenue increase in its organic business (1H 4.2%; 2H 10.3%) in comparison to Medicare benefits for the States in which IDX operates which have seen a 4.8% increase in weighted average benefits paid for FY23 adjusted for working days.

Operating NPAT decreased by $3.9m or 17.6% and operating diluted earnings per share decreased by 26.0% to 7.6 cents per share.

Statutory NPAT performance of $25.0m increased by 71.5% with the increase relative to Operating NPAT being due to non-operating transactions. These include adjustments for:

- Remeasurement of contingent consideration liabilities, consisting of adjustments to contingent consideration provisions for Imaging Queensland, the X-Ray Group and Horizon Radiology resulting from the re-assessment of estimated future earnout payments ($15.8m benefit to the income statement).
- FY23 transaction and integration costs, consisting of $2.9m relating to acquisitions and integration activities, and $2.0m of one-off systems implementation costs, on a post tax basis.

As some of these non-operating transactions are on the capital account, they are not tax deductible, creating a greater impact on statutory earnings after tax.

Financial overview

- In FY23 the Group achieved revenue growth of $79.8m, including the X-Ray Group ($5.1m for four months from July to October 2022 following completion of the acquisition in November 2021), Peloton Radiology ($37.7m) and Horizon Radiology ($11.4m) following completion of both these acquisitions on 1 July 2022.
- Organic operating revenue from all sources (including reporting contracts, some of which are fixed rate) in Australia grew 7.0% (1H 4.2%; 2H 10.3%), being higher compared to the Medicare industry weighted average for the States in which IDX operates of a 4.8% benefits increase adjusted for working days. Note that IDX's growth is also 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.
- Average fees per exam (including reporting contracts) in Australia increased by 5.7% in FY23, reflective of an on-going move to the higher end CT, MRI and PET scan modalities and to a lesser extent Medicare indexation of 1.6% applied to 97% of diagnostic imaging services, including MRI, from 1 July 2022, and selective price increases.
- Organic operating revenue in New Zealand grew 4.4% (1H 4.1%; 2H 4.7%), on a constant currency basis adjusted for working days. New Zealand revenues continued to be impacted by referrer-owned radiology practices in Auckland. The company continues to plan and implement management initiatives to respond.
- Operating EBITDA margin decrease of 140 bps compared to the prior corresponding period with both Peloton Radiology and Horizon Radiology acquisitions experiencing similar trends as IDX's existing businesses in both QLD and NZ respectively.
- Statutory NPAT of $25.0m after writeback of non-operating provisions, transaction and integration costs, amortisation of customer contracts and other costs, net of tax, of $7.2m.

OPERATING AND FINANCIAL REVIEW

For the year ended 30 June 2023

Operating performance overview

During FY23 we focused on the following:

Driving organic earnings growth through improved utilisation of existing assets, cost management, selective price increases and brownfield as well as greenfield sites

- Grew organic patient volumes in both Australia and New Zealand utilising existing assets.
- Implemented selective price increases, while remaining competitive according to local market conditions.
- Focused on containing and reducing costs wherever possible.
- Improved access to services with new greenfield sites opened at Pimpama on the Gold Coast and Waiata Shores in Auckland.
- Improved services with brownfield investment in three PET-CT upgrades, at Greenlane in Auckland, at John Flynn Private Hospital on the Gold Coast, and at the St John of God Hospital in Ballarat, as well as a new upgraded facility in Auckland.
- We upgraded MRIs in Bunbury, Rockhampton and on the Gold Coast.

Accelerated the use of teleradiology, digital and AI technologies

- 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.
- Made significant progress in the implementation of a single, enterprise-wide reporting platform, to develop sub-specialty workflows for complex clinical cases and to deliver best in class comprehensive reports to referrers and patients.
- Consolidated three disparate RIS applications (patient management software) in New Zealand to enhance operational efficiencies such as cross site patient bookings and technologists' rosters.
- Implemented and integrated new businesses into a state of the art data centre to provide solid and secure infrastructure and allow for growth across the Group.
- Built upon our consolidated reporting platform to provide teleradiology services for both the internal business and our external reporting contracts.
- Continued to enhance our cyber-security ecosystem to ensure robust protections in place that remain relevant and repeatable.
- Widened the footprint of our state-of-the-art voice recognition application to enhance the referrer's clinical experience and improve our report turnaround times.
- Implemented E-referrals across the majority of our business to enhance the referrer experience.
- Introduced the ability for our patients to book their clinical appointments online through an integrated Avatar.
- Successfully implemented automation tools to improve the efficiencies of our back of house processes.

Driving our environment, social and governance (ESG) strategy

- Continued to measure our carbon emissions across Scopes 1, 2 and 3.
- Further developed our ESG Strategy in line with stakeholder, industry and community expectations.
- Sought to develop partnerships with our suppliers and vendors to ensure our ESG strategies are enacted.
- Continued our commitment to Modern Slavery with the release of our third Modern Slavery Statement.
- Continued to assess and develop our waste management practices to reduce waste and our carbon footprint organisation wide.

Nurtured and developed our culture and leadership

- Continued our investment in leadership capability with new intakes of our three distinct leadership programs - for emerging and frontline leaders, middle and senior leaders, and radiologists.
- Designed and implemented a suite of professional development sessions for our wider people manager cohort, focusing on the core skills needed for day-to-day success as a people leader as part of our strategy to drive a supportive and inclusive high performing culture.
- Supported a safe and inclusive culture by cascading Mental Health First Aid and Inclusive Leadership training to local management teams, and continued to explore opportunities to contribute to and enhance our engagement with First Nations communities.
- Continued to grow engagement and uptake of our values-based employee recognition programs.
- Developed and implemented a wellbeing framework with a range of benefits designed to support our people across four key pillars of health – physical, emotional, social and financial wellbeing.
- Improved our employee value proposition by benchmarking remuneration to market and introducing new employee benefits.

Integrated our recent acquisitions

- In FY23 the Company completed and integrated the following two strategic acquisitions (previously announced in FY22):
  - Peloton Radiology in South East Queensland, which completed on 1 July 2022

– Horizon Radiology in Auckland, New Zealand, which also completed on 1 July 2022.

Capital expenditure

Total capital expenditure on tangible assets was $45.2m (FY22: $31.3m) of which $26.1m related to equipment replacement and $19.1m related to growth opportunities, including the development of two new greenfield sites, being Waiata Shores in New Zealand and Pimpama on the Gold Coast, which opened in February 2023 and June 2023 respectively.

FY24 replacement and growth capex is expected to be between $35.0m to $45.0m.

Acquisitions

The aforementioned acquisitions of Peloton Radiology and Horizon Radiology were all signed during FY22, however both completed on 1 July 2022.

The contingent consideration provision for the Earn Out A liability for the Imaging Queensland Group has been adjusted from $12.4m to $2.2m based on the valuation provided by an Independent Expert, sought as part of the dispute resolution process provided for in the Share Sale Contract, as disclosed in Note 20 of the Group's Consolidated Financial Statements for the year ended 30 June 2023. The Group has made efforts to settle the $2.2m liability for Earn Out A, based on the valuation provided by the independent expert, however the vendors have declined settlement, and the matter remains in dispute at the date of this report. The provision for Earn Out B liability remains unchanged at $5.5m.

Taxation

The effective tax rate on operating earnings is 31.3% (FY22: 29.7%) due to the higher level of non-deductible costs relating to share based payments and transaction advisory fees.

The effective tax rate on statutory earnings of 18.3% (FY22: 35.3%) is driven by statutory earnings containing adjustments to contingent consideration provisions, which are on capital account.

Cash flows

Free cash flows of $53.1m (FY22: $49.1m) increased by 8.0%. Free cash flow conversion before replacement capex was 93.0% (FY22: 78.3%). The increase in free cash flows is due to the increase in Operating EBITDA, as well as changes in the working capital profile driven by timing of payments.

Capital management

Net debt increased by $93.0m to $194.5m (FY22: $101.5m). 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 cash flows and dividend payments made throughout the financial year.

Net debt to equity at 30 June 2023 was 52.1% (FY22: 29.2%) and the Net Debt/EBITDA ratio was 2.9x at 30 June 2023 (FY22:1.6x), with the annualised second half net debt/EBITDA ratio improving further to 2.8x.

At 30 June 2023, IDX had cash reserves of $33.9m and committed facilities of $379.4m of which $152.4m remained undrawn and with access to a further $105.0m under an Accordion facility. Current debt facilities have a five-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 increased by 54.4% to 10.8 cents per share (FY22: 7.0 cents per share). Diluted earnings per share in FY23 considering the FY19, FY20, FY21, FY22 and FY23 performance rights and options issues was 10.6 cents per share (FY22: 6.9 cents per share). The increased earnings per share at a statutory level is reflective of the increase in statutory NPAT of 71.5% to $25.0m.

On an Operating NPAT basis, adjusted[1] Diluted Earnings per Share decreased 26.0% to 7.6 cents per share (FY22: 10.2 cents per share).

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 Peloton Radiology and Horizon Radiology Group acquisitions in FY23 (FY22: X-Ray Group acquisition).

Dividend

Fully franked dividends paid or declared of 6.0 cents per share (FY22: 7.0 cents per share) totalling $13.9m have been paid or declared for FY23. The decrease in dividends of 14.3% reflects the decrease in Operating NPAT for the Group in FY23. A fully franked final dividend of 3.5 cents per share will be paid on 4 October 2023 to shareholders on the register at 1 September 2023. This represents 77.9% of Operating NPAT (FY22: 68.6%). The dividend reinvestment plan (DRP) will operate with no discount for the FY23 dividend.

Regulatory outlook

Australia:

MRI Licences

On 1 November 2022 the Federal government de-regulated MRI services in regional and rural areas, defined as Modified Monash Model 2-7. As at the date of this presentation no further licences or plans for deregulation of MRI licences have been announced.

FY 2023 Medicare Changes

Indexation of 3.6% was announced and applied to all Diagnostic Imaging Services from 1 July 2023, including MRI items, however excluding Nuclear Medicine items, with further indexation of 0.5% expected to be applied from 1 November 2023.

Bulk billing incentive on MRI reduced to 95% of CMBS from 100% from 1 July 2022. This only affects MRI services currently bulk billed to Medicare.

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.

New Zealand:

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

The regulatory authorities in New Zealand have determined that non-arms length referral practices by referrers who own interests in radiology practices or equipment are acceptable. IDX is pursuing various strategic initiatives as a result of this situation, including developing its referrer base in the New Zealand general practitioner market, a market segment that is less impacted by non-arms length referrals.

Company outlook

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. Radiology plays both a preventative as well as curative non-invasive role in improving the health of the Australia and New Zealand population.

The Company's focus in FY24 will be to:

- drive organic earnings growth, including through cost management, selective price increases and brownfield as well as 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
- consider accretive acquisitions that represent a strong clinical, cultural and strategic fit.

Balance Sheet

A summary of the balance sheet as at 30 June 2023 and a comparison to the prior year is outlined in the following table:

Balance sheet	30 June 2023 Actual $m	30 June 2022 Actual $m
Cash and cash equivalents	**33.9**	123.2
Trade and other receivables	**21.7**	19.4
Other current assets	**7.1**	11.4
Total current assets	**62.7**	154.0
Property, plant and equipment	**153.1**	124.3
Right of use assets – AASB 16	**129.4**	106.8
Intangible assets	**474.8**	380.5
Deferred tax assets	**19.0**	17.3
Investments accounted for using the equity method	**0.0**	0.2
Total non-current assets	**776.3**	629.1
Total assets	**839.0**	783.1
Trade and other payables	**31.1**	22.9
Borrowings	**2.5**	5.5
Lease obligations – AASB 16	**14.2**	11.7
Contingent consideration	**7.5**	16.4
Provisions	**27.4**	23.5
Total current liabilities	**82.7**	80.0
Contingent consideration	**7.8**	8.2
Borrowings	**221.1**	217.6
Provisions	**9.5**	9.5
Lease obligations – AASB 16	**127.3**	106.2
Deferred tax liability	**17.6**	14.4
Total non-current liabilities	**383.3**	355.9
Total liabilities	**466.0**	435.9
Net assets	**373.0**	347.2

- Working capital of ($2.3m) decreased by $10.2m, driven by the acquisition of Peloton Radiology and Horizon Radiology working capital balances, as well as the timing of payments.
- Provisions (excluding tax) have increased $3.9m. This increase is primarily due to the acquisition of employees leave provision for Peloton Radiology and Horizon Radiology totalling $2.8m at 30 June 2023.
- Contingent consideration of $15.3m includes Imaging Queensland ($7.7m), the X-Ray Group ($0.6m), Peloton Radiology ($5.1m) and Horizon Radiology ($1.4m).
- Net debt (including off balance sheet bank guarantees of $3.6m and excluding capitalised borrowing costs of $1.2m) increased by $93.0m to $194.5m (FY22: $101.5m). This reflects a combination of the $90m capital raising completed in March 2022, debt drawn down to fund the Peloton Radiology and Horizon Radiology acquisitions, operational cash flows, capital expenditure and the dividend payment made at the half year.

Cash flow

A summary of the cash flows as at 30 June 2023 are presented below:

Summary of cash flow	30 June 2023 Actual $m	30 June 2022 Actual $m
Free cash flow	**53.1**	49.1
Growth capital expenditure	**(19.1)**	(21.9)
Net cash flow before financing and taxation	**34.0**	27.2
Tax paid	**(2.0)**	(17.4)
Interest and other costs paid on borrowings	**(13.2)**	(5.7)
Net change in borrowings	**(2.2)**	24.2
Payments for acquisitions	**(85.9)**	(24.3)
Working capital acquired	**(0.3)**	(0.5)
Proceeds from the issue of equity	**2.2**	91.8
Deferred consideration paid	**(0.2)**	(3.3)
Dividends paid	**(12.6)**	(20.9)
Transaction costs	**(4.0)**	(5.5)
Integration costs	**(2.8)**	-
Capital raising costs	**-**	(2.9)
Other	**(2.4)**	(0.2)
Net cash flows	**(89.4)**	62.5

- Free cash flows of $53.1m were $4.0m or 8.0% higher than FY22, which was driven by the increase in Operating EBITDA, as well as changes in working capital driven by timing of payments, offset by replacement capex.
- Growth capital expenditure was $19.1m.
- Dividends of $12.6m (5.5 cents per share fully franked) were paid in FY23.

Risk management

The Company's Risk Management Framework is overseen by the Audit Risk and Compliance Committee (ARCC) and is actively managed by the members of Senior Management and the Legal and Risk Team. The framework is consistent with ISO 31000:2018 Risk Management – Guidelines and is subject to an annual review. A copy of the Company's ARCC Charter can be found on the Company's website: www.integraldiagnostics.com.au/corporate-governance

The Framework, along with the Company's Risk Management Policy and Appetite Statement, is used to implement a consistent approach to identifying, analysing and evaluating risks to support the Company's business activities and strategies. It also assists in creating a culture of risk awareness and accountability throughout the business at all levels.

IDX continually reviews, assesses and strengthens its policies and procedures in all areas including clinical governance, regulatory, occupational health and safety, IT, finance, business continuity and operations. This risk management process is aided by an independent internal audit program to ensure the effectiveness and compliance of our practices.

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

Business risks

A list of IDX's core risks are described below. These risks are continuously assessed by the business and reported on a regular basis to the ARCC. Please note that this is not a comprehensive list of all actual and potential risks that may impact IDX's financial and operating results in future periods.

Risk Area	Risk Management Strategy
Regulatory changes Changes to funding and government policies and regulations may have a material adverse impact on the financial and operational performance of the Company including the deregulation of MRIs which may remove significant barriers to entry into the diagnostic imaging market.	• Regular monitoring of funding and regulatory changes and industry developments. • Membership of, and participation in, the Australian Diagnostic Imaging Association. • Membership of, and participation in, the Royal Australian New Zealand College of Radiologists.
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.	• 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 in each business unit, supported by local management to drive clinical governance.
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.	• Program of oversight for M&A activity, due diligence and integration. • Detailed due diligence processes and procedures, including the development of integration and resourcing plans. • Engagement of external advisors to assist in identifying risks, challenges and opportunities of acquisitions.
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 for completeness of information, renewal dates, contract owners and performance against SLA's. • Maintenance of a digital contract database which sends automatic reminders to contract owners about contract milestones including expiry dates.
Clinical risk management The risk of patient harm due to human error or a lack of effective clinical governance and processes.	• ICLC manages and advises on clinical governance matters, including patient care, clinical standards and quality assurance. • Consistent clinical risk and incident reporting processes in place across the Company and business units, to review incident data and resulting recommendations at all management levels, through to the ARCC and the Board. • Chief Medical Officer (CMO) further strengthens focus on clinical governance within IDX. • Maintenance of appropriate insurance arrangements, including in relation to medical malpractice. • Radiologist peer review systems in place.
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 for compliance with the required laws in Australia and New Zealand. • Provision of training for staff. • Cyber security and IT infrastructure controls in place and continually reviewed.

Risk Area	Risk Management Strategy
Cyber security The risk of a material cyber security event, data breach 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. • Ongoing penetration testing by an external party to review protections against increasing threats. • Regular meetings of Cyber Security Steering Committee. • Alignment of the Company's cyber security framework and controls to industry standards, including annual cyber maturity assessments. • Business continuity and disaster recovery plans in place including data breach simulations held with senior leaders and the Board.
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. • Targeted recruitment campaigns both locally and overseas. • Provision of People and Culture support across the Company for all staff, including an Employee Assistance Program.
Competitive market dynamics The risk of changing competitive trends in the radiology market including the emergence of medical specialist groups purchasing their own diagnostic equipment, new market entrants or increasing competition from radiologists setting up independent practices.	• Proactive monitoring of changes in the market including to stay abreast of and responding to identified changes. • Focus on maintaining and growing referrer relationships. • Participation in industry group forums.

REMUNERATION REPORT

For year ended 30 June 2023

Introduction from the People, Culture and Remuneration Committee Chair

Dear Shareholders,

On behalf of the Board, I am pleased to present the Remuneration Report for the 2023 financial year. We will seek your approval of the report at our 2023 Annual General Meeting.

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.

As detailed in last year's Remuneration Report, to further emphasise the importance of sustainability, the Company introduced a risk, compliance and conduct gateway to the granting of any STI award in FY23. While the FY23 gateway was satisfied, the financial KPI threshold representing 50% of the potential STI was not achieved and therefore no award was made for the financial component.

In FY23 the non-financial award portion of the STI included sustainability goals to support the Group's ongoing achievements of its ESG strategy. This recognises 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. Significant quantifiable outcomes were achieved in the non-financial KPIs by the Executive KMP in FY23.

Details of the Managing Director's achievements against the FY23 STI KPIs are provided on page 44. For all other executive KMP a summary of key individual and common KPIs and the STIs awarded in FY23 are shown on page 45 In total the STI awards ranged from 33.5% to 43.5% of the STI opportunity in FY23.

Having regard to the severe impact of COVID-19 on the business during FY22, the Board previously disclosed it would exercise its discretion under the terms of those rights to allow the re-testing of the FY19 LTI Performance Rights at the end of FY23. On re-testing, the threshold vesting level of EPS for the FY19 LTI performance rights was not satisfied and those rights have therefore now lapsed.

The testing of the FY20 LTI grant at the end of FY23 also failed to meet the threshold Operating EPS growth rates over the period and as such those rights have lapsed. Despite the ongoing economy wide impacts of new COVID-19 variants through FY23, where over 10,000 cases a day were still being reported as late as December 2022, the Board has decided not to retest the FY20 LTI performance rights in FY24 allowable under the terms of the rights. With the removal of most government restrictions in June 2022 and the gradual recovery witnessed across the medical imaging industry, the Board determined the business environment didn't meet the extreme circumstance test for re-testing. From FY23 the re-testing provision has been removed from LTI grants.

Following significant enhancements to the executive remuneration framework in FY23 the framework remains the same in FY24.

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

Andrew Fay

People, Culture
and Remuneration
Committee Chair

REMUNERATION REPORT
For year ended 30 June 2023

What's inside

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

About the Remuneration Report

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 2023 (FY23). All KMP held their position for the duration of FY23, unless otherwise noted.

Name	Position
Executive KMP	
Dr Ian Kadish	Managing Director and Chief Executive Officer
Craig White	Chief Financial Officer
Paul McCrow	Chief Operating Officer
Non-Executive Directors	
Helen Kurincic	Independent, Non-Executive Chair
John Atkin	Independent, Non-Executive Director
Raelene Murphy	Independent, Non-Executive Director
Andrew Fay	Independent, Non-Executive Director (commenced as Non-Executive Director on 18 July 2022)
Radiologist Executive Directors	
Dr Jacqueline Milne	Radiologist Executive Director
Dr Nazar Bokani	Radiologist Executive Director (resigned as Radiologist Executive Director on 9 August 2023)

a. The role of the People, Culture and Remuneration Committee

The People, Culture and Remuneration Committee (PCRC) is governed by the PCRC Charter. It is responsible for reviewing and recommending to the Board compensation arrangements for the Non-Executive Directors (NEDs), 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;
c. setting, monitoring and assessing the Company's culture;
d. remuneration strategy, performance targets and incentive payments for the CEO and the Executives that report to the CEO; and
e. remuneration arrangements for the Chair, NEDs and Executive Directors of the Board.

The PCRC 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 Inclusion and Diversity Policy. In FY23 the Committee reviewed and changed its charter and name to include a focus on culture, noting the importance of culture in achieving the Company's strategic objectives. Andrew Fay succeeded John Atkin as Chair of the PCRC on 1 June 2023. John Atkin was PCRC Chair since the Company's listing in 2015.

The following NEDs, all of whom are regarded as independent, were members of the PCRC for the full FY23 financial year, unless otherwise stated:

Andrew Fay - Chair	Independent, Non-Executive Director (commenced KMP position and membership of the Committee on 18 July 2022, commenced Chair of PCRC from 1 June 2023)
John Atkin	Independent, Non-Executive Director (retired as Chair of PCRC on 31 May 2023)
Helen Kurincic	Independent, Non-Executive Director
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. These arrangements 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.

b. Overview of FY23 Executive Remuneration Framework

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

- 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,
- having appropriate transparency in application, particularly to KMP.

Remuneration Framework

The objective of the Group's Executive reward framework is to align Executive reward with the achievement of strategic and sustainability 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:

FY23 KMP Remuneration Framework		
Fixed Remuneration Cash, superannuation, non-monetary awards		
STI 50% delivered as cash	**STI** 50% delivered as deferred equity	
LTI Performance rights converted to shares after 3 years		
Year 1	Year 2	Year 3
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.	• A risk, compliance and conduct gateway must be met to qualify for a STI. • Awards are based on financial performance, individual performance of strategic KPIs and organisational performance of sustainability KPIs.	• Performance measures are aligned to long term shareholder returns and value creation. • Vesting is based on achievement of aggregate earnings per share (EPS), relative total shareholder returns (rTSR) and target average return on invested capital (ROIC).

Executive KMP remuneration arrangements

The Executive remuneration and reward framework for the FY23 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 PCRC, 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 financial and non financial objectives.

The Executive remuneration framework adopted in FY22 and prior years had not substantially changed since 2017. During FY22, the Board conducted a review of the framework and introduced changes in FY23. In conducting the review, the Board considered feedback it had received from stakeholders over the years, the increasing maturity of the business and the strategic priorities of the Company.

The key changes made to the remuneration framework for KMP for FY23 were:

- introduction of a risk, compliance and conduct gateway;
- 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 three years (from four years previously) but removing the re-test provision; and
- introducing two more measures of performance so LTI vesting is now tested on aggregate diluted Operating EPS (50%), relative TSR (25%) and ROIC (25%).

Remuneration mix

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

Executive KMP	Fixed remuneration (%)	STI (%)	LTI (%)	Total remuneration
Dr Ian Kadish	40%	20%	40%	100%
Craig White	44%	22%	33%	100%
Paul McCrow	50%	25%	25%	100%

With 60% of the CEO's salary at risk, assuming the performance stretch is achieved in FY24, this will result in 50% of remuneration comprising of deferred equity vesting over one to three years.

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	• Attract and retain suitably qualified and experienced talent.
Governance	• Fixed remuneration is reviewed and benchmarked annually by the PCRC 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	• 50% delivered as cash and 50% delivered as deferred equity.
Performance period	• The STI targets were set at the commencement of FY23 and assessed by the PCRC at the end of the financial year, based on the Company's audited annual results and individual performance against non-financial targets.
Gateway and performance measures	Gateway • A risk, compliance and conduct gateway is in place for all Executives, which must be met before the grant of any STI award can be made. Financial performance target • 50% of STI is 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. Should a decision be made during the year that significantly changes the number of shares on issue (e.g. acquisition, buyback) the original NPAT hurdle will be adjusted to a diluted Operating EPS measure. Non-financial performance targets • 50% of STI is available on achievement of non-financial objectives, which are made up of a mix of strategic and sustainability goals and priorities identified by the Board, with measures to assess performance against those objectives set at that time. Sustainability goals include measures related to patient satisfaction, employee engagement, safety and injury prevention, employee turnover and environmental impact.
STI opportunity	Maximum STI opportunities are outlined below: **Executive** — **Maximum opportunity** Dr Ian Kadish — 50% of fixed remuneration Craig White — 50% of fixed remuneration Paul McCrow — 50% of fixed remuneration
Strategic objective	• The financial performance 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. • The non-financial performance targets ensure Executives consider non-financial objectives when making strategic decisions. All are essential to positive outcomes for the Company and its stakeholders, and recognise that our patients, people, culture and risk management are integral to the Company's sustainability, ongoing success and ability to differentiate in an increasingly competitive market.
Governance	• Performance measures and objectives are clearly defined and measurable. • Targets are recommended by the PCRC and approved by the Board. • Any incentive payment is not an entitlement and provided at the discretion of the Board.

Long term incentive (LTI)	
Delivery mechanism	• The LTI award is delivered in the form of 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 performance conditions. 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 LTI Performance Rights are tested based on performance over a three-year period commencing on 1 July in the year they are granted.
Performance conditions and measures	The Performance Rights are subject to measurement against hurdles set for the following three KPIs: • aggregate diluted Operating Earnings Per Share (EPS) (50% weighting); • relative Total Shareholder Return (TSR) (25% weighting); and • Return on Invested Capital (ROIC) (25% weighting). The diluted Operating EPS performance condition will be measured by reference to the cumulative Company EPS over a period of three financial years, commencing on 1 July in the year of the grant. 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 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 FY23 LTI EPS performance condition is detailed on page 46
	The TSR performance condition measures the growth in the Company's share price, together with the value of any cash dividends and any other shareholder benefits paid during the three-year performance period (and assuming those dividends and other shareholder benefits were reinvested in additional shares in the Company). Relative TSR provides a direct link between executive remuneration and shareholder return relative to the Company's peers. The FY23 TSR performance condition is detailed on page 46
	The ROIC performance condition is based on internal targets related to return on invested capital. ROIC has been chosen as a performance condition as the Board believes that a primary focus in coming years should be an improvement in the return from the substantial investments the Company has made into its business. The Board has set ROIC target ranges at the start of the performance period taking into account the market conditions and company specific factors at the time. At the end of the Performance Period, actual average ROIC will be calculated by taking the total of the actual ROIC achieved for each year of the Performance Period, divided by three. Measurement of the average actual ROIC would exclude any significant one-off events, and the initial impact of business development initiatives, as approved by the Board. In the ordinary course, if there is an asset impairment, the calculation for the Invested Capital will add back the value of the impairment for testing the relevant LTI grants. The FY23 ROIC performance condition is detailed on page 46
Assessment of performance conditions	• Aggregate EPS is to be calculated with reference to underlying earnings (operating[1]). • TSR will be measured against the Company's relevant peer group of S&P ASX300 Accumulation Index, excluding Banks[2] and Resource companies. • ROIC is to be calculated as earnings before interest and tax (EBIT) divided by invested capital. Invested capital is defined as net debt, plus lease liabilities plus contributed share capital.

Long term incentive (LTI)	
Testing of performance conditions	• Testing of the performance conditions 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.
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 one to eight years after vesting.
Treatment of cessation[3]	• 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 conditions, as though the participant had not ceased employment, unless the Board determines otherwise.
Change of control[4]	• 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.
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.
Governance	• The performance conditions are clearly defined and measurable. • Any grant is not an entitlement and provided at the discretion of the Board.

1. Operating NPAT is defined as NPAT before non-operating transactions as included in the Operating and Financial Review.
2. Banks are defined as entities included in the official S&P/ASX 300 Banks index including NAB, Virgin Money Ltd, Judo Capital Holdings Ltd, CBA, ANZ, Westpac, BOQ, Bendigo & Adelaide Bank Ltd and Mystate Limited..
3. For the CEO's FY21 grant, the Board has determined that if the CEO ceases employment and he is deemed by the Board to be a "Good Leaver", his full FY21 Performance Rights would stay on foot. The Board has made the same determination in relation to the COO's FY21 Performance Rights.
4. 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 FY21 Performance Rights held by the CEO. The Board has made the same determination in relation to the COO's FY21 Performance Rights. The Board has made the same determination in relation to the CFO's FY22 Performance Rights.

c. Executive KMP remuneration outcomes for FY23

Statutory remuneration outcomes for FY23

Details of the remuneration received by the Group's Executive KMP for FY23 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 $	Cash incentive $	Superannuation $	Long service leave $	Share based payments $[1]	Total remuneration $	Proportion of rem. tied to performance %
Dr Ian Kadish - Managing Director and Chief Executive Officer							
FY23	**782,058**	**85,913**	**25,292**	**37,232**	**167,228**	**1,097,723**	**23.1%**
FY22	781,488	-	23,568	11,006	(824,661)	(8,599)	Not meaningful
Craig White - Chief Financial Officer[2]							
FY23	**589,632**	**67,425**	**25,292**	**12,498**	**106,860**	**801,707**	**21.7%**
FY22	273,323	-	11,784	1,786	-	286,893	-
Paul McCrow - Chief Operating Officer[3]							
FY23	**415,652**	**32,977**	**25,292**	**15,761**	**47,458**	**537,140**	**15.0%**
FY22	369,046	-	23,568	6,994	(54,249)	345,359	Not meaningful
Anne Lockwood - Chief Financial and Commercial Officer[4]							
FY23	**-**	**-**	**-**	**-**	**-**	**-**	-
FY22	315,918	-	20,108	(35,282)	33,918	334,662	10.1%
Total Statutory Remuneration for Executive KMP							
FY23	**1,787,342**	**186,315**	**75,876**	**65,491**	**321,546**	**2,436,570**	**20.8%**
FY22	1,739,775	-	79,028	(15,496)	(844,992)	958,315	Not meaningful

1. Share based payment reversals reflect revised probability of FY19, FY20 and FY21 rights vesting as at 30 June 2022 and the FY23 STI deferred equity.
2. Craig White commenced KMP position 24 January 2022.
3. In FY23, Paul McCrow received a $50,000 payment in recognition for duties performed in addition to this role as Chief Operating Officer. This payment has been included in FY23 cash salary and fees.
4. Anne Lockwood ceased KMP position 30 January 2022.

Realised remuneration for FY23 (non-IFRS information)

The following table shows the actual remuneration paid to, and the equity which vested for, each Executive KMP in the FY23 and FY22 financial years. Realised remuneration differs from statutory remuneration presented in the previous table that is prepared in accordance with the Corporations Act 2001 (Cth) and Accounting Standards, and require share based payments to be reported as remuneration from the time of grant, even though the actual value ultimately may not be realised from these share based payments. Realised remuneration only reports remuneration and awards received by the participants in any given financial year. The Directors believe this information provides clarity as to the relationship between the statutory remuneration reported in the table above to actual remuneration realised.

	Fixed remuneration $	STI $[1]	Super $	Vesting of prior LTI grants $[2]	Total remuneration $
Dr Ian Kadish - Managing Director and Chief Executive Officer					
FY23	**782,058**	**85,913**	**25,292**	**-**	**893,263**
FY22	781,488	-	23,568	1,716,675	2,521,731
Craig White - Chief Financial Officer[3]					
FY23	**589,632**	**67,425**	**25,292**	**-**	**682,349**
FY22	273,323	-	11,784	-	285,107
Paul McCrow - Chief Operating Officer					
FY23	**415,652**	**32,977**	**25,292**	**-**	**473,921**
FY22	369,046	-	23,568	-	392,614
Anne Lockwood - Chief Financial and Commercial Officer[4]					
FY23	**-**	**-**	**-**	**-**	**-**
FY22	315,918	-	20,108	474,184	810,210
Total Realised Remuneration for Executive KMP					
FY23	**1,787,342**	**186,315**	**75,876**	**-**	**2,049,534**
FY22	1,739,775	-	79,028	2,190,859	4,009,662

1. Of the total STI realised for FY23, only 50% will be settled in cash. The remaining 50% of the STI award (totalling $186,314) will be settled in deferred equity provided the participant is employed by the Group at 30 June 2024.
2. Valued on the 5 day VWAP of IDX ordinary shares up to vesting date.
3. Craig White commenced KMP position 24 January 2022.
4. Anne Lockwood ceased KMP position 30 January 2022.

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 past four years. Consistent with Company strategy, the table shows the Company's 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[1,2]	FY23	FY22	FY21	FY20	FY19
Operating EBITDA as a % of revenue	**19.3%**	20.8%	26.8%	27.6%	22.9%
Operating NPAT as a % of revenue	**4.0%**	6.0%	10.9%	11.4%	11.1%
Diluted Operating EPS	**7.6cps**	10.2cps	19.0cps	16.6cps	16.2cps
Return on operating assets	**5.6%**	10.7%	14.7%	13.9%	17.9%
Closing share price	**3.28**	3.03	5.20	3.90	3.16
Dividends paid or declared per share	**6.0 cps**	7.0 cps	12.2cps	9.5cps	10.0cps
Declared operating dividend payout ratio	**77.9%**	68.6%	48.2%	50.2%	46.9%

1. Key measures for the period are measured on a pre-AASB 16 basis.
2. The remuneration report includes references to non-IFRS financial information. The Directors believe the presentation of non-IFRS financial measures are useful for the users of this remuneration report as they provide additional and relevant information that reflect the underlying financial performance of the business and measurement against performance criteria. For further information on non-IFRS measures used in this report, including a reconciliation to statutory financial information, refer to the 'Non-IFRS Financial Information' section on pages 118 to 122 of this report.

Fixed Executive Remuneration

As disclosed in last year's report, changes to the remuneration framework were introduced in FY23. There was no change however, in fixed remuneration for executive KMP in FY23.

Fixed remuneration in FY23 for KMP remained at $790,000 for the CEO, $620,000 for the CFO and $393,750 for the COO. The COO also received a $50,000 allowance in FY23 for taking on additional General Manager duties.

STI Outcomes and Payments

The Committee undertakes a quarterly and end of financial year performance review of the Executive KMP achievements against the financial and non-financial criteria to recommend the STI award payable. Any award of a STI to Executive KMP requires Board approval. Cash STI payments are made the following financial year in which they were earned.

The Board has ultimate discretion to apply judgement or make adjustments when approving the final performance outcomes. The Board did not exercise any discretions or make any adjustments in determining the outcome of the Executive KMP's STI award for FY23.

For each strategic and sustainability 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.

A summary of the CEO's performance criteria, achievements and outcomes for the FY23 STI opportunity is provided below. A summary table providing the aggregate STI results for Executive KMP is shown on page 45.

CEO's FY23 STI Scorecard

Criteria	Weighting	Strategic objectives	Result	Performance detail
Financial	50%	**ONPAT targets set by the Board:** • < $24.7m = 0% • $24.7m (threshold) = 50% • $27.4m (target) = 75% • ≥ $ 30.1m(stretch) = 100%	0%	• Operating NPAT of $17.8m below threshold. • Material improvement in second half results partially helped by the reducing industry wide COVID-19 impacts.
Non Financial	30%	**Execution of projects critical for long term performance and growth of the business**		
		• Successful integration and achievement of FY23 financial forecasts for recent acquisitions; Peloton and Horizon	10%	• Integration plan agreed as part of the acquisition. Integration teams and Steering Committee completed all key deliverables in accordance with the plan. • The acquired businesses performed stronger than the existing IDX businesses in the relevant markets.
		• Assessment of deliverables relating to market growth and key strategic and commercial projects.	20%	• IDX Australian revenue growth rate of 7.0% versus Medicare growth rate of 3.7%. • NZ second half results exceeded first half as management broadened referrer base to specialities less impacted by referrer owned practices. • Introduced IDX preventative care products to broaden market. • Expanded and introduced gap pricing where appropriate due to Medicare's significantly lower than inflation price increases.
	20%	**Sustainability, leadership and culture**		
		• patient satisfaction • employee engagement • safety and injury prevention • employee turnover • environmental impact	13.5%	• Patient satisfaction levels were consistently high achieving an average NPS score of 84%. • Improvement in FY23 employee engagement score of 2% compared to FY22 but below target. • Safety and injury prevention didn't meet threshold requirement. • Reduction in unplanned staff turnover by 3% compared to FY22. • IDX Carbon Emissions Reduction Strategy developed by management and approved by Board
Total Non-Financial	**50%**		**43.5%**	
Total Financial	**50%**		**0%**	
Total of STI opportunity	**100%**		**43.5%**	

The Executive KMP achieved many aspects of their strategic and sustainability goals, which was a noticeable achievement in the circumstances given the challenging trading conditions of FY23. However, the financial goal was not achieved as per the CEO's outcome.

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

Executive KMP	FY23 STI foregone (%)	FY23 STI awarded (%)	FY23 STI awarded $[1]	FY22 STI foregone (%)	FY22 STI awarded (%)	FY22 STI awarded $
Dr Ian Kadish	**56%**	**44%**	**171,825**	**100%**	**0%**	**-**
Craig White	**56%**	**44%**	**134,850**	**100%**	**0%**	**-**
Paul McCrow	**67%**	**34%**	**65,953**	**100%**	**0%**	**-**

1. Includes both cash and equity settled STI awards.

The CFO and the COO were also set non-financial measurable targets comprising of strategic and sustainability objectives. These are outlined below:

Strategic Objectives

CFO	COO
• business development • acquisition integration • organic growth and costs structure • overseeing the implementation of new of finance and risk systems	• improving operational performance • growth initiatives and supporting local greenfield and brownfield strategies • acquisition integration • radiologist and referrer engagement

Sustainability Objectives

Applicable to both

- patient satisfaction
- employee engagement
- safety and injury prevention
- employee turnover
- environmental impact

LTI Outcomes and Payments

The FY19 LTI grant was tested over four years to the results for FY22. Diluted Operating Earnings per Share declined from 12.5 to 10.2 cents per share representing a compound annual growth rate of (4.9%). This did not meet the threshold target of 5% set for the FY19 LTI Performance Rights. The terms of the FY19 LTI Performance Rights allowed 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. As the severe impact of COVID-19 on the business during FY22 was seen as an extreme circumstance outside Management's control, the Board decided to allow re-testing of the FY19 LTI Performance Rights at the end of FY23.

The Board noted that at the re-test, the Threshold and stretch levels of achievement would be determined by applying the CAGRs as specified by the Board at the time the Rights were granted over the full five years. This was tested at the end of FY23 and dilutive Operating Earnings per Share declined from 12.5 to 7.6 cents per share representing a compound annual growth rate of (9.4%). This did not meet the threshold target of 5% over the five year period (1July 2018 to 30 June 2023) set for FY19 LTI performance rights and therefore all FY19 LTI Rights have lapsed.

The FY20 LTI is tested over four years to the results for the year ended 30 June 2023. Diluted Operating Earnings per Share declined from 16.2 to 7.6 cents per share representing a compound annual growth rate of (17.2%). This did not meet the threshold target of 5% set for the FY20 LTI Performance Rights and therefore all FY20 LTI Rights have lapsed.

LTI Performance Rights granted in FY23

For FY23, the LTI performance conditions have been determined as follows:

Performance conditions and measures

The percentage of LTI Rights subject to the EPS performance condition that will be eligible for vesting (if any) will be determined as follows:

Aggregate diluted Operating EPS (cents per share) over the performance period	% of LTI Rights that Vest
Less than 35cps	Nil
Equal to 35cps	20%
Between 35 and 45cps	Straight line pro rata vesting between 20% and 100%
Equal to, or above, 45cps	100%

The percentage of LTI Rights subject to the TSR performance condition that will be eligible for Vesting (if any) will be determined as follows:

TSR ranking Achieved	% of LTI Rights that Vest
Below the 51st percentile	Nil
51st percentile	50%
Greater than 51st and less than 75th percentile	Straight line pro rata vesting between 50% and 100%
75th percentile and above	100%

The percentage of LTI Rights subject to the ROIC performance condition that will be eligible for Vesting (if any) will be determined as follows:

Average ROIC over 3 years	% of LTI Rights that Vest
Less than 8.5% Average ROIC	Nil
Equal to 8.5% Average ROIC	20%
Greater than 8.5% Average ROIC and less than 11% Average ROIC	Straight line pro rata vesting between 20% and 100%
11% of Average ROIC or greater	100%

The Threshold targets are set at a level that the Board regards as attainable. The stretch targets are set at a level which the Board regards as demonstrating clear outperformance. Full vesting occurs when performance equals or exceeds stretch.

The Board also determined the number of FY23 LTI Performance Rights awarded was by use of the 30-day VWAP prior to 30 June, consistent with the FY22 grant.

The table below shows the LTI details for each Executive for the financial year ended 30 June 2023:

Executive KMP	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	**4-Nov-22**	**241,591**	**2.23**	**538,325**	**30-Jun-25**	**30-Jun-25**
Craig White	**3-Nov-22**	**142,202**	**2.23**	**316,862**	**30-Jun-25**	**30-Jun-25**
Paul McCrow	**3-Nov-22**	**60,207**	**2.23**	**134,156**	**30-Jun-25**	**30-Jun-25**

LTI Performance Rights granted in FY22

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

Executive KMP	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

d. Cumulative interest of Executives under the LTI program

The LTI program is the key element of the 'at risk component' of the Executives' remuneration. None of the Performance Rights vested or lapsed during the reporting period, however following testing after financial year end, the FY19 and FY20 performance rights lapsed.

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 for each respective grant.

	Grant Year	Grant Date	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	**FY23**	**4-Nov-22**	**-**	**241,591**	**-**	**0.0%**	**-**	**0.0%**	**241,591**	**248,544**
	FY22	5-Nov-21	157,371	-	-	0.0%	-	0.0%	157,371	-
	FY21	31-Oct-20	184,616	-	-	0.0%	-	0.0%	184,616	-
	FY20	20-Nov-19	235,572	-	-	0.0%	235,572	100.0%	-	-
	FY19	16-Nov-18	200,000	-	-	0.0%	200,000	100.0%	-	-
Craig White	**FY23**	**3-Nov-22**	**-**	**142,202**	**-**	0.0%	-	0.0%	**142,202**	**146,295**
	FY22	24-Jan-22	48,550	-	-	0.0%	-	0.0%	48,550	-
Paul McCrow	**FY23**	**3-Nov-22**	**-**	**60,207**	**-**	0.0%	**-**	0.0%	**60,207**	**61,940**
	FY22	26-Aug-21	39,219	-	-	0.0%	-	0.0%	39,219	-
	FY21	17-Aug-20	23,270	-	-	0.0%	-	0.0%	23,270	-
	FY20	26-Aug-19	59,779	-	-	0.0%	59,779	100.0%	-	-

LTI Plan Target Summary

Diluted Operating earnings per share (diluted Operating EPS) tranche

LTI Plan	FY23	FY22	FY21	FY20	FY19
Beginning of period	**01-Jul-22**	01-Jul-21	01-Jul-20	01-Jul-19	01-Jul-18
End of period	**30-Jun-25**	30-Jun-25	30-Jun-24	30-Jun-23	30-Jun-22
Diluted operating EPS of at beginning of period	**n/a**	19.0	16.6	16.2	12.5
Threshold 5% CAGR	**n/a**	23.07	20.18	19.70	15.17
Stretch (12%) CAGR	**n/a**	29.87	26.12	25.51	n/a
Stretch (15%) CAGR	**n/a**	n/a	n/a	n/a	21.95
20% vesting hurdle (cumulative 3 year)[1]	**35.00**	n/a	n/a	n/a	n/a
100% vesting hurdle (cumulative 3 year)[2]	**45.00**	n/a	n/a	n/a	n/a

1. Nil LTI rights will vest if this threshold is not achieved.
2. LTI rights will vest on a straight-line pro rata basis between the 20% and 100% vesting hurdles.

Relative total shareholder return (TSR) tranche

LTI Plan	FY23	FY22	FY21	FY20	FY19
Beginning of period	**01-Jul-22**	01-Jul-21	01-Jul-20	01-Jul-19	01-Jul-18
End of period	**30-Jun-25**	30-Jun-25	30-Jun-24	30-Jun-23	30-Jun-22
20% LTI rights vesting hurdle[1]	**50.0%**	n/a	n/a	n/a	n/a
100% LTI rights vesting hurdle[2]	**100.0%**	n/a	n/a	n/a	n/a

1. Nil LTI rights will vest if this threshold is not achieved.
2. LTI rights will vest on a straight-line pro rata basis between the 20% and 100% vesting hurdles.

Return on invested capital (ROIC) tranche

LTI Plan	FY23	FY22	FY21	FY20	FY19
Beginning of period	**01-Jul-22**	01-Jul-21	01-Jul-20	01-Jul-19	01-Jul-18
End of period	**30-Jun-25**	30-Jun-25	30-Jun-24	30-Jun-23	30-Jun-22
20% LTI rights vesting hurdle[1]	**8.5%**	n/a	n/a	n/a	n/a
100% LTI rights vesting hurdle[2]	**11.0%**	n/a	n/a	n/a	n/a

1. Nil LTI rights will vest if this threshold is not achieved.
2. LTI rights will vest on a straight-line pro rata basis between the 20% and 100% vesting hurdles.

e. 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

Other than those set out in this remuneration report, there are no further termination benefits offered to Executive KMP.

f. Non-Executive Director and Radiologist Executive Director Remuneration

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 NEDs 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.

The Company's remuneration policy for 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.

Fees to NEDs 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 NEDs and two Radiologist Executive Directors employed as radiologists. NEDs' fees are reviewed periodically by the PCRC. The PCRC may, from time to time, receive advice from independent remuneration consultants to ensure NEDs' fees are appropriate and in line with the market.

The Chair's fees are determined independently from the fees of other NEDs, based on comparative roles in the external market and the specific nature of the expertise and role for this company. NEDs 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 Radiologist Executive Directors as they are engaged 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 contracts are consistent with other radiologists and include remuneration at market rates plus allowances where appropriate. During the year Dr Bokani began providing some of his radiology services through a related party Tele-Rad Consultancy L.L.C-FZ on terms consistent with other radiologists. Details of the related party transaction are detailed in Note 32 to the financial statements.

In addition, they receive a Radiologist Executive Director Board fee which is set by reference to the fees paid to the NEDs.

Non-Executive Director and Radiologist Executive Director Board fees for FY23

The following annual fees were paid to Radiologist Executive Directors, NEDs and the Chair for their services in FY23:

- for Radiologist Executive Directors (excluding the MD/CEO), $68,750;
- for NEDs, a base fee of $100,000;
- for committee members, a fee of $12,500 per committee, excluding the Nomination 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 NEDs' fees include superannuation where applicable.

The Board has determined for FY24 there will be no change in Board fees.

FY23 Non-Executive and Radiologist Executive Director statutory remuneration

Details of the statutory remuneration received by the Group's NEDs and Radiologist Executive Directors for FY23 and the prior financial year are set out in the following table.

	Short term benefits	Post employment benefits	Long term benefits		
	Cash salary and fees $[1]	Superannuation $	Long service leave $	Share based payments $	Total remuneration $
Non-Executive Directors					
Helen Kurincic					
FY23	**259,708**	**25,292**	**n/a**	**n/a**	**285,000**
FY22	261,432	23,568	n/a	n/a	285,000
John Atkin					
FY23	**130,967**	**6,533**	**n/a**	**n/a**	**137,500**
FY22	131,432	6,068	n/a	n/a	137,500
Raelene Murphy					
FY23	**124,434**	**13,066**	**n/a**	**n/a**	**137,500**
FY22	125,000	12,500	n/a	n/a	137,500
Andrew Fay					
FY23	**119,250**	**12,521**	**n/a**	**n/a**	**131,771**
FY22	-	-	n/a	n/a	-
Rupert Harrington					
FY23	**-**	**-**	**n/a**	**n/a**	**-**
FY22	58,093	5,676	n/a	n/a	63,769
Radiologist Executive Directors[2,3]					
Dr Jacqueline Milne					
FY23	**997,247**	**25,292**	**27,498**	**n/a**	**1,050,037**
FY22	908,319	23,568	3,355	n/a	935,242
Dr Nazar Bokani					
FY23	**878,766**	**25,292**	**14,567**	**28,929**	**947,554**
FY22	924,609	23,568	13,634	42,554	1,004,365
Total Director Fees and Remuneration for Non-Executive and Radiologist Executive Directors					
FY23	**2,510,372**	**107,996**	**42,065**	**28,929**	**2,689,362**
FY22	2,408,885	94,948	16,989	42,554	2,563,376

1. Includes Executive Director fees and normal pay for the Company's radiologist directors.
2. Dr Bokani and Dr Milne received $68,750 in director fees in FY23 (FY22: $68,750). With the exception of these director fees, all other remuneration received by Dr Bokani and Dr Milne is consideration for their respective roles as radiologists and are on commercial terms commensurate with other radiologists within the Group.
3. Share based payments relate to reflect movements due to the Radiologist Loan Funded Share Plan for Executive Radiologist Directors.

The table below presents the total director fees for FY23:

	Director Fees $[1]
FY23	**829,271**
FY22	761,269

1. Director fees inclusive of superannuation.

FY23 Non-Executive Director and Radiologist Executive Director realised remuneration

	Fixed remuneration $	Super $	Total remuneration $
Non-Executive Directors			
Helen Kurincic			
FY23	**259,708**	**25,292**	**285,000**
FY22	261,432	23,568	285,000
John Atkin			
FY23	**130,967**	**6,533**	**137,500**
FY22	131,432	6,068	137,500
Raelene Murphy			
FY23	**124,434**	**13,066**	**137,500**
FY22	125,000	12,500	137,500
Andrew Fay			
FY23	**119,250**	**12,521**	**131,771**
FY22	-	-	-
Rupert Harrington			
FY23	**-**	**-**	**-**
FY22	58,093	5,676	63,769
Radiologist Executive Directors			
Dr Jacqueline Milne			
FY23	**997,247**	**25,292**	**1,022,539**
FY22	908,319	23,568	931,887
Dr Nazar Bokani			
FY23	**878,766**	**25,292**	**904,058**
FY22	924,609	23,568	948,177
Total Director Fees and Remuneration for Non-Executive and Radiologist Executive Directors			
FY23	**2,510,372**	**107,997**	**2,618,368**
FY22	2,408,885	94,948	2,503,833

g. KMP minimum shareholding policy and shareholdings

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. It requires NEDs, Radiologist 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 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 annual director fees as outlined below:

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

All KMP currently comply with the Minimum Shareholding Policy with the exception of Raelene Murphy. Ms Murphy is aiming to be in compliance with this policy as soon as practicable, taking into account the provisions of related policies such as the Securities Dealing Policy.

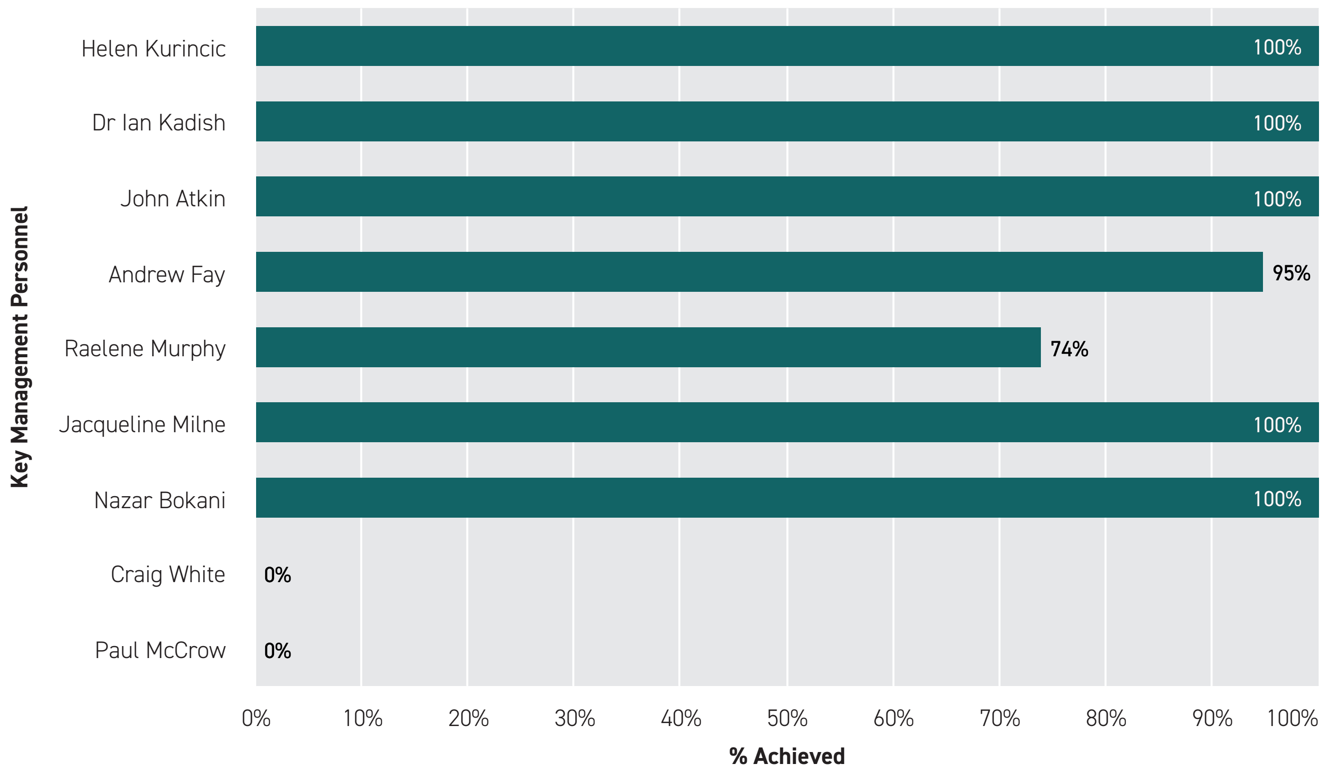
KMP shareholding

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

	Balance at 1 July 2022	Additions	Disposals/other	Number of shares held upon ceasing to be KMP	Balance at 30 June 2023
Non-Executive Directors					
Helen Kurincic	555,579	-	-	-	555,579
John Atkin	183,785	3,741	-	-	187,526
Raelene Murphy	30,945	-	-	-	30,945
Andrew Fay[1]	n/a	40,000	-	-	40,000
Radiologist Executive Directors					
Dr Jacqueline Milne	19,900	18,493	(13,193)	-	25,200
Dr Nazar Bokani[2]	277,716	-	-	-	277,716
Executive KMP					
Dr Ian Kadish	539,441	-	-	-	539,441
Craig White	-	-	-	-	-
Paul McCrow	-	-	-	-	-

1. Appointed a Director on 18 July 2022
2. Dr Nazar Bokani is a participant in the Radiologist Loan Share Scheme, under which 185,144 shares are subject to a limited recourse loan.

Minimum shareholding



h. Other transactions with KMP and their related parties

The following transactions occurred with related parties to KMP:

	Consolidated $	% interest	KMP interest $
30 June 2023			
Payment for teleradiology services to Tele-Rad Consultancy L.L.C-FZ of which Dr. Nazar Bokani is related	**261,085**	**100%**	**261,085**
30 June 2022			
Nil	-	-	-

The above FY23 related party transactions relate to teleradiology services provided to the Group by Dr. Bokani and are on commercial terms consistent with other teleradiology providers to the Group.

Financial Accommodation

	Balance 30 June 2023	Balance 30 June 2022	Interest paid and payable
Dr Nazar Bokani	**446,614**	454,658	-

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 four 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 Executive 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.

The Remuneration Report has been audited.

Auditor's Independence Declaration

As lead auditor for the audit of Integral Diagnostics Limited for the year ended 30 June 2023, 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.

Niamh Hussey
Partner
PricewaterhouseCoopers

Melbourne
28 August 2023

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2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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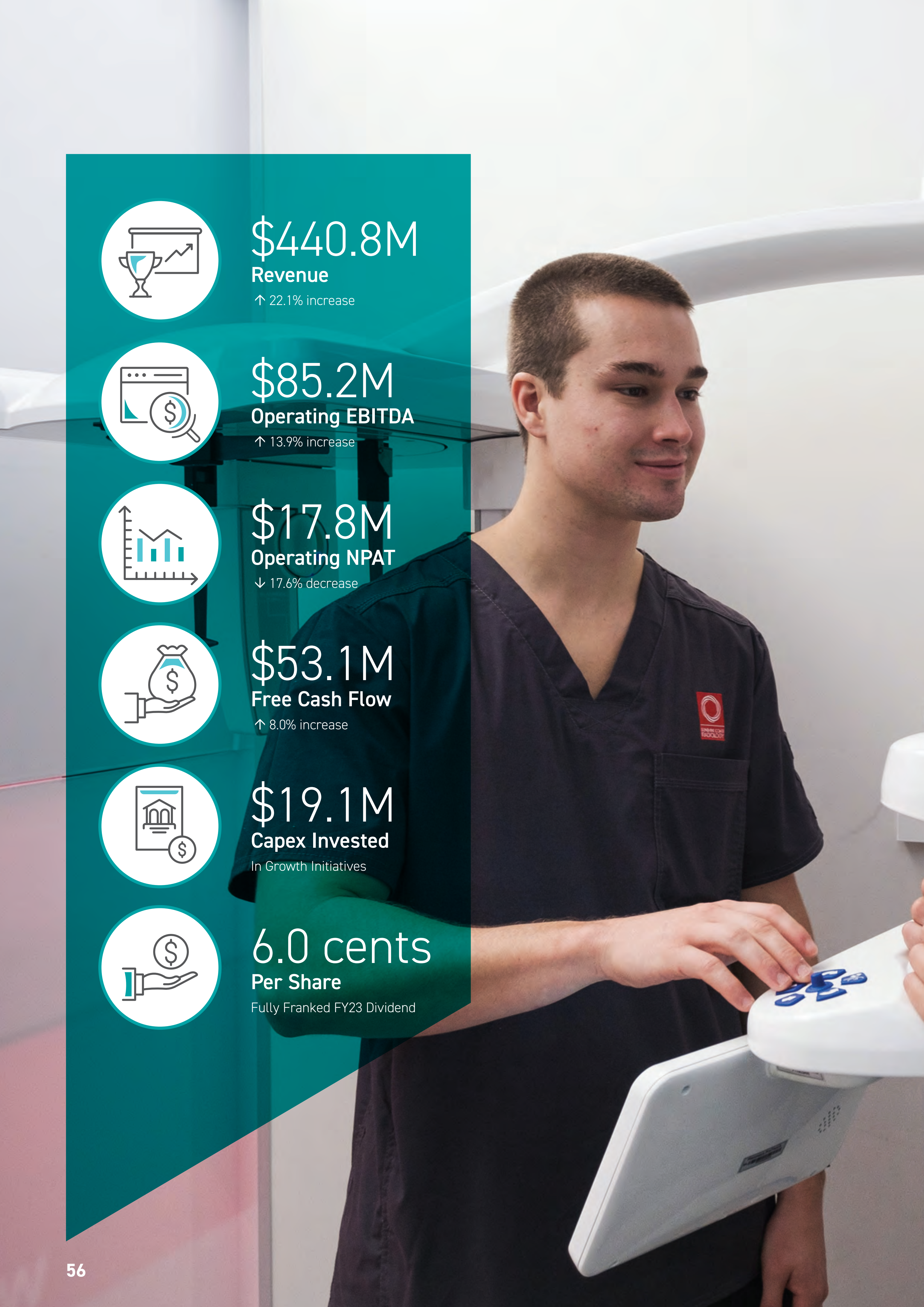


$440.8M
Revenue
↑ 22.1% increase

$85.2M
Operating EBITDA
↑ 13.9% increase

$17.8M
Operating NPAT
↓ 17.6% decrease

$53.1M
Free Cash Flow
↑ 8.0% increase

$19.1M
Capex Invested
In Growth Initiatives

6.0 cents
Per Share
Fully Franked FY23 Dividend

Financial Report

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2023

	Note	30 June 2023 $'000	30 June 2022 $'000
Revenue			
Revenue	5	**440,762**	360,930
Interest and other income	5	**448**	39
Total revenue and other income		**441,210**	360,969
Expenses			
Consumables		**(21,040)**	(19,221)
Employee benefits expense	6	**(275,960)**	(219,612)
Depreciation expense	6	**(25,459)**	(20,644)
Amortisation expense	6	**(18,027)**	(16,055)
Transaction and integration benefits/(expenses)	6	**9,077**	(5,460)
Share based payment reversal/(expense)	24	**(1,852)**	638
Equipment related expenses		**(15,616)**	(13,142)
Occupancy expenses		**(7,769)**	(8,028)
Other expenses		**(35,238)**	(26,243)
Finance costs	6	**(18,365)**	(10,483)
Share of net profits/(losses) of joint ventures accounted for using the equity method	16	**(328)**	(158)
Total expenses		**(410,577)**	(338,408)
Profit before income tax expense		**30,633**	22,561
Income tax expense	7	**(5,593)**	(7,958)
Profit for the year from continuing operations		**25,040**	14,603
Profit is attributable to:			
Owners of Integral Diagnostics Limited		**25,040**	14,603

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Note	**30 June 2023 $'000**	30 June 2022 $'000
Profit for the year		**25,040**	14,603
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**1,017**	(1,912)
Other comprehensive income for the year, net of tax		**26,057**	12,691
Total comprehensive income for the year		**26,057**	12,691
Total comprehensive income is attributable to:			
Owners of Integral Diagnostics Limited		**26,057**	12,691

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2023

	Note	30 June 2023 $'000	30 June 2022 $'000
Assets			
Current assets			
Cash and cash equivalents	8	**33,855**	123,193
Trade and other receivables	9	**21,690**	19,409
Income tax receivable		**96**	3,594
Other assets	10	**5,251**	6,524
Inventory	11	**1,848**	1,264
Total current assets		**62,740**	153,984
Non-current assets			
Property, plant and equipment	12	**153,059**	124,252
Right-of-use assets	13	**129,397**	106,881
Intangible assets	14	**474,772**	380,487
Deferred tax asset	15	**19,028**	17,252
Investments accounted for using the equity method	16	**15**	159
Total non-current assets		**776,271**	629,031
Total assets		**839,011**	783,015
Liabilities			
Current liabilities			
Trade and other payables	17	**31,145**	22,897
Borrowings	18	**2,454**	5,470
Lease liabilities	13	**14,214**	11,740
Contingent consideration	20	**7,479**	16,376
Provisions	19	**27,375**	23,521
Total current liabilities		**82,667**	80,004
Non-current liabilities			
Contingent consideration	20	**7,778**	8,236
Borrowings	21	**221,142**	217,582
Lease liabilities	13	**127,266**	106,199
Deferred tax liability	15	**17,589**	14,226
Provisions	22	**9,521**	9,524
Total non-current liabilities		**383,296**	355,767
Total liabilities		**465,963**	435,771
Net assets		**373,048**	347,244
Equity			
Contributed capital	23	**333,280**	322,543
Reserves	24	**(9,788)**	(12,455)
Retained profits	25	**49,556**	37,156
Total equity		**373,048**	347,244

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	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

	Contributed capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2022	**322,543**	**(12,455)**	**37,156**	**347,244**
Profit after income tax expense	**-**	**-**	**25,040**	**25,040**
Movement in translation of foreign operations	**-**	**1,017**	**-**	**1,017**
Total comprehensive income	**-**	**1,017**	**25,040**	**26,057**
Transactions with owners in their capacity as owners:				
Net tax effect of transaction costs recognised in equity	**-**	**-**	**-**	**-**
Transaction costs recognised in equity (Note 23)	**-**	**-**	**-**	**-**
Issue of ordinary shares under Radiologist incentive scheme (Note 23)	**1,322**	**-**	**-**	**1,322**
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax (Note 23)	**9,023**	**-**	**-**	**9,023**
Issue of ordinary shares pursuant to entitlement offers	**-**	**-**	**-**	**-**
Conversion of performance rights to ordinary shares	**-**	**-**	**-**	**-**
Share based payments (Note 24)	**-**	**1,650**	**-**	**1,650**
Dividends paid and reinvested in equity (Note 24)	**392**	**-**	**(12,640)**	**(12,248)**
Balance at 30 June 2023	**333,280**	**(9,788)**	**49,556**	**373,048**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Note	30 June 2023 $'000	30 June 2022 $'000
Cash flows from operating activities			
Receipts from customers		**440,367**	357,020
Payments to suppliers and employees		**(349,757)**	(286,726)
Transaction and integration costs relating to acquisition of subsidiaries		**(3,976)**	(5,460)
Interest and other finance costs paid		**(13,672)**	(10,328)
Interest received		**448**	39
Income taxes paid		**(1,992)**	(17,445)
Net cash from operating activities	37	**71,418**	37,100
Cash flows from investing activities			
Payments for purchase of subsidiary, net of cash acquired	34	**(84,813)**	(24,614)
Payments in settlement of contingent consideration	20	**(150)**	(3,309)
Payments for property, plant and equipment		**(43,995)**	(27,770)
Net cash used in investing activities		**(128,958)**	(55,693)
Cash flows from financing activities			
Proceeds from issue of share capital	23	**2,203**	91,828
Transaction costs paid on issue of share capital	23	**-**	(2,875)
Proceeds from borrowings drawn		**43,049**	114,153
Repayment of borrowings		**(45,209)**	(89,829)
Repayment of the principal element of lease liabilities		**(19,252)**	(11,280)
Dividends paid to Company shareholders		**(12,640)**	(20,863)
Net cash from financing activities		**(31,849)**	81,134
Net (decrease) / increase in cash and cash equivalents		**(89,389)**	62,541
Cash and cash equivalents at the beginning of the financial year		**123,193**	62,203
Effects of exchange rate changes on cash and cash equivalents		**51**	(1,551)
Cash and cash equivalents at the end of the financial year	8	**33,855**	123,193

NOTES TO THE CONSOLIDATED 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 28 August 2023. 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).

The financial report has been prepared on a going concern basis. While the Group is in a net current asset deficit position at 30 June 2023, the Group has sufficient operating cash flows and available debt facilities to pay its debts as and when they fall due for 12 months from the date of signing these financial statements.

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 2023 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.

30 June 2023 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, 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.

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 2023. 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.

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 2023, there was no external revenue greater than 10% to any one customer (2022: 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 2023 $'000	30 June 2022 $'000
Total revenue and other income from continuing operations		
Australia	**386,287**	318,407
New Zealand	**54,923**	42,562
	441,210	360,969
Total non-current assets		
Australia	**590,610**	475,640
New Zealand	**185,661**	153,391
	776,271	629,031

Note 5. Revenue

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Sales revenue		
Services revenue	**440,099**	358,739
Other revenue		
Other revenue	**663**	2,191
Revenue	**440,762**	360,930
Interest and other income		
Interest income	**423**	39
Other income	**25**	-
	448	39
Total revenue and other income	**441,210**	360,969
Timing of revenue recognition		
At a point in time	**422,793**	342,905
Over time	**17,969**	18,025
	440,762	360,930

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 2023 $'000	30 June 2022 $'000
Profit before income tax includes the following specific expenses:		
Depreciation expense		
Leasehold improvements	**3,701**	2,921
Plant and equipment	**16,899**	14,351
Motor vehicles	**70**	36
Office furniture and equipment	**4,789**	3,336
Total depreciation	**25,459**	20,644
Amortisation expense		
Customer contracts	**2,153**	2,952
Right-of-use assets	**15,874**	13,103
Total amortisation	**18,027**	16,055
Total depreciation and amortisation	**43,486**	36,699
Net loss on disposal of property, plant and equipment	**17**	(175)
Transaction and integration costs relating to acquisition of subsidiaries		
Remeasurement of contingent consideration liabilities	**(15,839)**	-
Professional fees and other costs	**6,762**	5,460
Total transaction and integration costs	**(9,077)**	5,460
Finance costs		
Interest and finance charges paid/payable	**18,295**	10,483
Unwinding of the effect of discounting provisions	**70**	-
Finance costs expensed	**18,365**	10,483
Employee benefits expense		
Employee benefits	**228,258**	184,066
Superannuation contributions	**15,362**	12,926
Labour supply	**32,340**	22,620
Total employee benefits expense	**275,960**	219,612

Costs of inventories recognised as expense were $21.0 million (2022: $19.2 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 (2022: nil).

Note 7. Income tax expense

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Income tax expense		
Current tax	**5,464**	7,742
Deferred tax – origination and reversal of temporary differences	**129**	216
Total income tax expense	**5,593**	7,958
Deferred tax included in income tax expense comprises:		
(Increase) in deferred tax assets (Note 15)	**(931)**	(55)
Increase/(decrease) in deferred tax liabilities (Note 15)	**1,060**	271
	129	216
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	**30,633**	22,561
Tax at the Australian statutory rate of 30% (2022: 30%)	**9,190**	6,768
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment costs	**37**	50
Transaction costs, including remeasurement of contingent consideration liabilities	**(4,830)**	1,010
Share based payments	**664**	(184)
Share of profits of joint ventures	**122**	47
Lease adjustment	**-**	5
	5,183	7,696
Adjustment recognised for prior periods	**457**	376
Impact of lower corporate tax rate in New Zealand	**(47)**	(114)
Income tax expense	**5,593**	7,958

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 2023 $'000	30 June 2022 $'000
Cash on hand	**22**	21
Cash at bank	**33,833**	123,172
	33,855	123,193

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 2023 $'000	30 June 2022 $'000
Trade receivables	**21,998**	19,712
Less: loss allowance	**(499)**	(303)
	21,499	19,409
Other receivables	**191**	-
	21,690	19,409

Impairment of receivables

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

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Opening balance	**303**	547
Additional allowance recognised	**357**	(30)
Receivables written off during the year as uncollectable	**(161)**	(214)
Closing balance	**499**	303

The ageing of receivables past due is as follows:

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Past due 31 to 60 days	**2,858**	2,255
Past due 61 to 90 days	**932**	649
Past due more than 91 days	**3,052**	1,928
	6,842	4,832

Ageing of trade receivables has deteriorated during the financial year, however the Group has assessed the likelihood of recovery and determined that the provision for impairment is appropriate and no further provision is required.

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.

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

Note 10. Current assets – other

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Accrued income	**2,092**	1,322
Prepayments	**2,778**	4,821
Security deposits	**381**	381
	5,251	6,524

Note 11. Inventory

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Contrast, drugs, needles & personal protective equipment	**1,848**	1,264

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 $21.0 million (2022: $19.2 million).

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

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Work in progress – at cost	**3,004**	8,124
Leasehold improvements – at cost	**57,283**	47,488
Less: Accumulated depreciation	**(17,177)**	(14,462)
	40,106	33,026
Plant and equipment – at cost	**163,651**	135,647
Less: Accumulated depreciation	**(71,451)**	(65,057)
	92,200	70,590
Motor vehicles – at cost	**537**	372
Less: Accumulated depreciation	**(238)**	(208)
	299	164
Office furniture and equipment – at cost	**31,391**	27,636
Less: Accumulated depreciation	**(13,941)**	(15,288)
	17,450	12,348
	153,059	124,252

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 2021	2,025	31,757	67,415	150	9,747	111,094
Business combination	-	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
Business combination – Note 34	**-**	**2,465**	**7,959**	**133**	**773**	**11,330**
Additions	**17,679**	**1,427**	**22,048**	**75**	**3,905**	**45,134**
Transfers	**(22,809)**	**6,884**	**10,601**	**-**	**5,324**	**-**
Disposals/write offs	**-**	**(31)**	**(2,171)**	**-**	**(96)**	**(2,298)**
Depreciation expense	**-**	**(3,701)**	**(16,899)**	**(70)**	**(4,789)**	**(25,459)**
Exchange differences	**10**	**36**	**72**	**(3)**	**(15)**	**100**
Balance at 30 June 2023	**3,004**	**40,106**	**92,200**	**299**	**17,450**	**153,059**

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 that are necessarily incurred whilst commissioning a 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 2023 $'000	30 June 2022 $'000
Right-of-use assets		
Property leases	**129,397**	106,881
Lease liabilities		
Current	**14,214**	11,740
Non-current	**127,266**	106,199
	141,480	117,939

Additions to the right-of-use assets during the year were $31.9m (2022: $14.2m), of which $20.9m was acquired through business combinations (refer Note 34 for further information on business combinations).

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

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Amortisation charge against right-of-use assets	**15,874**	13,103
Interest expense (included in finance cost)	**5,311**	4,030
Expense relating to short-term leases (included in occupancy expenses)	**240**	311

Reconciliation of movements in lease liabilities during the period

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Lease liabilities recognised at 1 July	**117,939**	109,626
Lease liabilities assumed on acquisition	**20,909**	9,038
Remeasurement of liability	**5,258**	(29)
Early termination of leases	**(11,739)**	(3,429)
New leases entered into during the period	**23,696**	14,013
Repayment of lease liabilities, net of interest	**(14,978)**	(11,280)
Exchange Rate	**395**	-
Lease liabilities recognised at 30 June	**141,480**	117,939

Note 14. Non-current assets – intangibles

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Goodwill – at cost	**444,477**	352,462
Brand names and trademarks – at cost	**28,763**	25,546
Customer contracts – at cost	**17,625**	16,234
Less: Accumulated amortisation	**(16,093)**	(13,755)
Customer contract - net	**1,532**	2,479
Total intangible assets	**474,772**	380,487

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	Customer contracts $'000	Total $'000
Balance at 30 June 2021	315,790	24,745	4,194	344,729
Assets recognised on business combination acquisitions	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
Assets recognised on business combination acquisition – Note 34	**89,305**	**3,042**	**1,175**	**93,522**
Amortisation expense	**-**	**-**	**(2,153)**	**(2,153)**
Foreign currency conversion	**2,710**	**175**	**31**	**2,916**
Balance at 30 June 2023	**444,477**	**28,763**	**1,532**	**474,772**

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

Consolidated	Australia $'000	New Zealand $'000	Total $'000
Goodwill	301,084	143,393	444,477
Brand names and trademarks	19,225	9,537	28,762
Customer contracts	813	720	1,533
Balance at 30 June 2023	321,122	153,650	474,772

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, and were last tested at 31 December 2022. 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.

At 30 June 2023, the recoverable amount of the Australian and New Zealand CGU's are estimated to exceed their carrying values by $313.1m and $34.2m respectively.

Key assumptions for value-in-use calculations

Five year compound annual revenue growth rate

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

The value-in-use calculations have been assessed for the sensitivity of the five-year compound growth rate as a key input. A reasonably possible decrease in the five-year compound annual growth rate to 3.6% would remove headroom in the New Zealand cash generating unit.

Long term growth rate

The long term growth rate has been assessed to reflect macroeconomic and inflationary conditions in the Australian and New Zealand markets.

Pre-tax discount rate

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

The value-in-use calculations have been assessed for the sensitivity of the pre-tax discount rate as a key input. A reasonably possible increase in the pre-tax discount rate to 15.5% would remove headroom in the New Zealand cash generating unit.

The following table sets out the key assumptions for impairment testing for each geographic segment:

	2023 %	2022 %	Break even rate %
Australia			
Five-year compound annual revenue growth rate	**7.0**	6.3	5.8
Long-term growth rate	**2.5**	2.5	(6.8)
Pre-tax discount rate	**11.8**	10.8	17.2
New Zealand			
Five-year compound annual revenue growth rate	**6.3**	6.9	3.6
Long-term growth rate	**2.5**	2.0	(0.4)
Pre-tax discount rate	**13.5**	12.4	15.5

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 2023 $'000	30 June 2022 $'000
Deferred tax assets		
Deferred tax asset comprises temporary differences attributable to:		
Employee benefits and other provisions	**13,005**	10,869
Provisions for lease make good	**1,237**	1,171
Transaction costs in equity	**745**	1,136
Transaction costs	**433**	502
Tax losses available	**5**	268
Leases	**3,603**	3,306
Total deferred tax asset	**19,028**	17,252
Amount expected to be recovered within 12 months	**5,645**	4,233
Amount expected to be recovered after more than 12 months	**13,383**	13,019
	19,028	17,252
Movements:		
Opening balance	**17,252**	16,335
Credited to profit or loss (Note 7)	**931**	55
Additions through business combinations (Note 34)	**845**	-
Credited to equity	**-**	862
Closing balance	**19,028**	17,252

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Deferred tax liabilities		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Property, plant and equipment	**(8,705)**	(6,024)
Brand names and customer contracts	**(8,884)**	(8,202)
Total deferred tax liabilities	**(17,589)**	(14,226)
Amount expected to be settled within 12 months	**(871)**	(602)
Amount expected to be settled after more than 12 months	**(16,718)**	(13,624)
	(17,589)	(14,226)
Movements:		
Opening balance	**(14,226)**	(13,826)
Credited to profit or loss (Note 7)	**(1,060)**	(271)
Additions through business combinations (Note 34)	**(2,303)**	(129)
Closing balance	**(17,589)**	(14,226)

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 2023. 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			Carrying amount	
Name of joint venture	Place of incorporation	2023 %	2022 %	Measurement method	2023 $'000	2022 $'000
MedX	Australia	**50%**	50%	Equity method	**15**	159

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 2023 $'000	30 June 2022 $'000
Aggregate carrying amount of individual immaterial joint ventures	**15**	159
Aggregate share of amounts of the group's share of:		
Profit/(loss) from continuing operations	**(328)**	(158)
Total comprehensive income	**(328)**	(158)

Note 17. Current liabilities – trade and other payables

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Trade payables	**10,408**	8,694
Other payables and accruals	**20,737**	14,203
	31,145	22,897

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 2023 $'000	30 June 2022 $'000
Asset financing facility	**2,454**	5,470

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 2023 $'000	30 June 2022 $'000
Annual leave	**18,461**	15,664
Long service leave	**8,501**	7,326
Employee benefits	**312**	250
Lease make good	**101**	281
	27,375	23,521

Accounting policy for 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 2023 $'000	30 June 2022 $'000
Current portion	**7,479**	16,376
Non-current portion	**7,778**	8,236
	15,257	24,612

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	**24,612**
Recognised on business combination – Note 34	**6,711**
Remeasurements charged through profit or loss	**(15,962)**
Foreign exchange differences	**46**
Amounts paid during the year	**(150)**
Balance at 30 June 2023	**15,257**

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.

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

The contingent consideration provision relating to the earn out liability for the X-Ray Group has been adjusted from $6.5m to nil and the contingent consideration provision for Horizon Radiology has been adjusted from $2.8m to $1.4m based on the Group's estimation of the amount likely to be paid out.

Note 21. Non-current liabilities – borrowings

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Debt facility	**218,952**	213,057
Asset financing facility	**2,190**	4,525
	221,142	217,582

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 2023 $'000	30 June 2022 $'000
Debt facility	**218,952**	213,057
Asset financing facility	**4,644**	9,995
	223,596	223,052

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 2023 $'000	30 June 2022 $'000
Total facilities		
Asset finance facility	**55,500**	80,000
Cash advance facility	**316,017**	314,564
Standby letter of credit or guarantee facility	**7,000**	7,000
Commercial cards facility	**881**	591
	379,398	402,155
Used at the reporting date		
Asset finance facility	**4,643**	9,994
Cash advance facility	**218,952**	215,129
Standby letter of credit or guarantee facility	**3,296**	2,869
Commercial cards facility	**148**	52
	227,039	228,044
Unused at the reporting date		
Asset finance facility	**50,857**	70,006
Cash advance facility	**97,065**	99,435
Standby letter of credit or guarantee facility	**3,704**	4,131
Commercial cards facility	**733**	539
	152,359	174,111

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 2023 $'000	30 June 2022 $'000
Long service leave	**4,681**	3,982
Lease make good	**4,840**	5,542
	9,521	9,524

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 (current and non-current), are set out below:

	Lease make good $'000
Consolidated – 2023	
Carrying amount at the start of the year	**5,823**
Provision recognised on business combination	**878**
Remeasurements offset against make-good asset	**(911)**
Remeasurements charged through profit or loss	**(849)**
Amounts used	**-**
Carrying amount at the end of the year	**4,941**

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 2023 #	30 June 2022 #	**30 June 2023 $'000**	30 June 2022 $'000
Ordinary shares – fully paid	**233,029,358**	229,070,797	**333,280**	322,543

Movement in ordinary share capital	Date	Number of Shares	Issue Price	Total $'000
Balances at 1 July 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
Shares issued as consideration as part of Horizon Radiology acquisition	1 July	**463,635**	**3.90**	**1,810**
Shares issued as consideration as part of Peloton Radiology acquisition	1 July	**2,096,657**	**3.44**	**7,213**
Shares issued under Radiologist Loan & Option Share Scheme1 – Self-funded2	5 September	**439,010**	**3.02**	**1,322**
Shares issued under Radiologist Loan Share Scheme1 – Loan Shares	5 September	**815,066**	**-**	**-**
Shares issued under dividend reinvestment plan (DRP)	5 October	**73,386**	**2.68**	**196**
Shares issued under dividend reinvestment plan (DRP)	4 April	**70,807**	**2.77**	**196**
Balance at 30 June 2023		**233,029,358**		**333,280**

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.

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 2023 $'000	30 June 2022 $'000
Share-based payments reserve	**4,090**	2,440
Capital reorganisation reserve	**(3,849)**	(3,849)
Transactions with non-controlling interest	**(8,013)**	(8,013)
Foreign currency translation reserve	**(2,016)**	(3,033)
	(9,788)	(12,455)

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees 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. Refer to Note 16 for further detail on investments in joint ventures.

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 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)
Issuance of shares held in escrow	**(563)**	**-**	**-**	**-**	**(563)**
Recognition of share-based payments	**2,213**	**-**	**-**	**-**	**2,213**
Movement in translation of foreign operations	**-**	**-**	**-**	**1,017**	**1,017**
Balance at 30 June 2023	**4,090**	**(3,849)**	**(8,013)**	**(2,016)**	**(9,788)**

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

	30 June 2023 $'000	30 June 2022 $'000
Amount recognised in share based payment expense:		
Share based payment expense - Management LTI scheme	**408**	(1,672)
Share based payment expense - Radiologist Loan Funded Share Plan (LFSP)	**1,444**	1,034
	1,852	(638)
Amount recognised in employee benefits expense:		
Share-based payment expense – Management STI scheme	**327**	-
Share-based payment expense – Management LTI scheme	**361**	-
Total share based payment expense	**2,540**	(638)

There were no cancellations or modifications to the awards in 2023 or 2022.

Valuation of equity-settled awards

The fair values of equity settled awards such as performance rights under the Management Long-term incentive (LTI) scheme, and shares and options granted under the Radiologist Loan Funded Share & Option Plan (LFSP) were estimated using a Monte Carlo simulation methodology and Black-Scholes option pricing technique and consider the following:

- exercise price
- expected life of the award
- current market price of the underlying shares
- expected volatility using an analysis of historic volatility over different rolling periods
- expected dividends
- the risk-free interest rate, which is an applicable government bond rate
- market-based performance hurdles (relative TSR).

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 granted prior to FY23 only vest with an equity settlement if an EPS growth hurdle and a four-year service condition are met. Performance rights granted in FY23 or later only vest if an cumulative EPS hurdle (50% of rights granted), relative TSR hurdle (25% of rights granted) or return on invested capital (ROIC) hurdle (25% of rights granted) are met respectively. All performance rights granted in FY23 or later are also subject to a three year service condition.

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.

	2023 Number	2022 Number
Outstanding at 1 July	**1,656,384**	1,934,938
Granted during the year	**732,581**	323,253
Forfeited during the year	**(1,011,442)**	-
Converted to ordinary shares during the year	**-**	(601,807)
Expired during the year	**-**	-
Outstanding at 30 June	**1,377,523**	1,656,384
Exercisable at 30 June	**-**	-

The following table lists the inputs to the valuation model used for the LTI plan. In FY23 the LTI plan was granted to members of the Senior Management Team and the Senior Leadership Team on 3 November 2022 and the CEO on 4 November 2022. The valuation metrics applicable to each LTI grant are set out below:

	2023 LTI Plan	2022 LTI Plan	2021 LTI Plan	2020 LTI (1) Plan
Weighted average fair values at the measurement date ($)	**2.23**	4.90/4.53	3.35/3.75	2.75/3.01
Dividend yield (%)	**3.42**	2.5	3	3.5
Expected volatility (%)	**40%**	N/A	N/A	N/A
Risk-free interest rate (%)	**3.25**	0.59/1.37	0.27/0.13	0.72/0.77
Expected life of share (years)	**2.7**	4	4	4
Weighted average share price ($)	**2.75**	5.39/4.96	3.91	2.71
Model used	**Black Scholes**	Black Scholes	Black Scholes	Black Scholes

The fair value at grant date of equity-settled share awards is recognised in the income statement over the period for which the benefits of employee services are expected to be derived .Where awards are forfeited because non-market-based vesting conditions are not met, the expense previously recognised is proportionately reversed.

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). The allocated value of the shares issued to participating radiologists under the plan on 5 September 2022 was $3.02 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 $3.36 and an expiry date of 5 September 2032.

	Options	WAEP[1]	Shares	WAEP[1]
Outstanding at 1 July 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	-	-	-	-
Outstanding at 30 June 2022	860,388	3.32	2,712,412	3.35
Granted during the year	**62,954**	**3.02**	**815,066**	**3.02**
Forfeited during the year	**-**	**-**	**(55,418)**	**-**
Exercised during the year	**-**	**-**	**-**	**-**
Outstanding at 30 June 2023	**923,342**	**3.30**	**3,472,060**	**3.33**
Exercisable at 30 June	-	-	-	-

1. Weighted average exercise price (WAEP)

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

	2023 LFSP Options	2023 LSFP Shares	2022 LFSP Options	2022 LSFP Shares
Grant Date	**27 June 2022**	**27 June 2022**	06 September 2021	06 September 2021
Weighted average fair values at the measurement date ($)	**1.00**	**1.47**	1.25	1.33
Dividend yield (%)	**n/a**	**n/a**	n/a	n/a
Expected volatility (%)	**40.0%**	**40.0%**	35.0%	35.0%
Risk-free interest rate (%)	**3.40%**	**3.67%**	0.65%	0.65%
Expected life of instrument (years)	**4.2**	**7.2**	4.5	5.0
Weighted average share price ($)	**3.02**	**3.02**	4.96	4.96
Model used	**Black Scholes**	**Black Scholes**	Black Scholes	Black Scholes

Note 25. Equity – retained profits

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Retained profits at the beginning of the financial year	**37,156**	44,403
Profit after income tax expense for the year	**25,040**	14,603
Dividend paid (Note 26)	**(12,640)**	(21,850)
Retained profits at the end of the financial year	**49,556**	37,156

Note 26. Equity – dividends

Dividends

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

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Dividend paid 7.0 cents per share on 6 October 2021	**-**	13,825
Dividend paid 4.0 cents per share on 4 April 2022	**-**	8,025
Dividend paid 3.0 cents per share on 5 October 2022	**6,885**	-
Dividend paid 2.5 cents per share on 4 April 2023	**5,755**	-
	12,640	21,850

Franking credits

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	**34,793**	31,335

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:

	2023		2022	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash at bank and on deposit	**1.12%**	**33,833**	0.07%	123,193
Club debt facility	**5.45%**	**(218,952)**	2.48%	(213,057)
Asset finance facility	**2.50%**	**(4,643)**	1.99%	(9,995)
Net exposure to cash flow interest rate risk		**(189,762)**		(99,859)

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 (2022: 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
2023	**100**	**(2,211)**	**(1,548)**	**(100)**	**2,211**	**1,548**
2022	100	(2,010)	(1,407)	(100)	2,010	1,407

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
2023	**+2.5c**	**(167)**	**(2,001)**
	-2.5c	**167**	**2,001**
2022			
	+2.5c	(80)	(1,580)
	-2.5c	80	1,580

The above 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 two years, eight months (2022: three years, eight 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, therefore these totals may differ from their carrying amount in the statement of financial position.

As at 30 June 2023	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	**-**	**10,408**	**-**	**-**	**-**	**10,408**
Other payables	**-**	**20,737**	**-**	**-**	**-**	**20,737**
Deferred consideration	**-**	**7,479**	**7,778**	**-**	**-**	**15,257**
Interest-bearing – variable						
Debt facility	**5.45%**	**-**	**-**	**220,120**	**-**	**220,120**
Asset financing facility	**2.50%**	**2,455**	**2,189**	**-**	**-**	**4,644**
Property lease liabilities	**4.10%**	**18,922**	**18,182**	**42,057**	**90,695**	**169,856**
Total non-derivatives		**60,001**	**28,149**	**262,177**	**90,695**	**441,022**

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						
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

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

Note 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 2023 $	30 June 2022 $
Short-term employee benefits	**4,484,029**	4,148,660
Post-employment benefits	**183,872**	173,976
Long-term employee benefits	**107,556**	1,494
Share-based payments	**350,475**	(1,208,431)
	5,125,932	3,115,699

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 2023 $	30 June 2022 $
Audit services		
PricewaterhouseCoopers Australia		
Audit and review of the financial statements		
Consolidated group	**723,000**	590,000
Controlled entities	**-**	-
	723,000	590,000
Other services		
PricewaterhouseCoopers Australia		
Due diligence and tax advisory services	**-**	-
Tax compliance services	**-**	42,713
Other services	**-**	2,945
	-	45,658
Network firms of PricewaterhouseCoopers		
Tax compliance and company secretarial services	**-**	-
Due diligence and tax advisory services	**-**	-
	-	-
Total other services	**-**	45,658
Total remuneration	**723,000**	635,658

Note 30. Contingent liabilities

The Group has given bank guarantees as at 30 June 2023 of $3.3 million (2022: $2.9 million) to various landlords.

Refer to Note 20 for details on contingent consideration liabilities held by the Group.

Note 31. Commitments

As at 30 June 2023, there were capital commitments for plant and equipment and leasehold improvements of $10.3 million (2022: $24.9 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 33 - 54.

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 Rules, accounting requirements and in accordance with good governance practices. This is to ensure that a financial benefit is not provided to related parties without approval by the Board, and where required, shareholders.

The following transactions occurred with related parties:

	Consolidated $	% interest	KMP interest $
30 June 2023			
Payment for teleradiology services to Tele-Rad Consultancy L.L.C-FZ of which Dr. Nazar Bokani is related	**261,085**	**100%**	**261,085**
30 June 2022			
Nil	-	-	-

The above FY23 related party transactions relate to teleradiology services provided to the Group by Dr Bokani and are on commercial terms consistent with other teleradiology providers to the Group.

Loans to related party

	Consolidated	
	30 June 2023 $	30 June 2022 $
Loan to key management personnel		
Balance at the beginning of the year	**454,658**	470,747
Repayments	**(8,044)**	(16,089)
Balance at the end of the year	**446,614**	454,658

Dr Bokani is a 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 four-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 2023 $'000	30 June 2022 $'000
Profit after income tax	**1,793**	7,025
Total comprehensive income	**1,793**	7,025

Statement of Financial Position

	Parent	
	30 June 2023 $'000	30 June 2022 $'000
Total current assets	**3,540**	67,013
Total assets	**671,872**	443,429
Total current liabilities	**(4,392)**	7,473
Total liabilities	**323,795**	101,652
Equity		
Contributed capital	**333,280**	322,543
Share-based payments reserve	**4,652**	2,440
Retained profits	**10,145**	20,992
Total equity	**348,077**	345,975

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 2023.

Capital commitments – property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023.

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

Acquisition of Peloton Radiology

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

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

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

The purchase price accounting has now been finalised with the final values on the following table:

	Fair value recognised on acquisition $'000	Adjustments to fair value $'000	Final acquisition fair value $'000
Plant and equipment	12,037	(2,670)	**9,367**
Right of use assets	15,397	690	**16,087**
Brand names	3,042	-	**3,042**
Customer contracts	-	-	**-**
Intangible assets	-	-	**-**
Deferred tax	(1,678)	429	**(1,249)**
Borrowings	-	-	**-**
Lease liabilities	(15,397)	(690)	**(16,087)**
Employee benefits	(2,159)	(85)	**(2,244)**
Provisions	(695)	-	**(695)**
Cash assets	459	-	**459**
Working capital assets	1,443	-	**1,443**
Working capital liabilities	(1,588)	-	**(1,588)**
Net assets acquired	10,861	(2,326)	**8,535**
Goodwill	59,803	1,089	**60,892**
Acquisition-date fair value of the total consideration transferred	70,664	(1,237)	**69,427**
Representing:			
Cash paid to vendor	58,776	-	**58,776**
Integral Diagnostics Limited shares issued to vendor	7,213	(562)	**6,651**
Contingent consideration	4,675	(675)	**4,000**
	70,664	(1,237)	**69,427**
Net cash acquired with subsidiary	(459)	-	**(459)**
Cash paid	58,776	-	**58,776**
Net cash flow on acquisition	58,317	-	**58,317**

Acquisition-related costs

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

Contingent consideration

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

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

Acquired receivables

The fair value of acquired trade receivables was $524,784. The gross contractual amount for trade receivables due is $524,784 with a nil loss allowance recognised on acquisition.

Revenue and profit contribution

Peloton Radiology has contributed revenues of $37,706,310 to the Group for the period from 1 July 2022 to 30 June 2023. 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.

Acquisition of Horizon Radiology

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

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

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

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

	Fair value recognised on acquisition $'000	Adjustments to fair value $'000	Final acquisition fair value $'000
Plant and equipment	1,770	193	**1,963**
Right of use assets	5,104	(287)	**4,817**
Brand names	-	-	**-**
Customer contracts	1,175	-	**1,175**
Intangible assets	-	-	**-**
Deferred tax	(206)	-	**(206)**
Borrowings	(195)	-	**(195)**
Lease liabilities	(5,109)	287	**(4,822)**
Employee benefits	(352)	(88)	**(440)**
Provisions	(183)	-	**(183)**
Cash assets	593	-	**593**
Working capital assets	958	-	**958**
Working capital liabilities	(463)	-	**(463)**
Net assets acquired	3,092	105	**3,197**
Goodwill	28,518	(105)	**28,413**
Acquisition-date fair value of the total consideration transferred	31,610	-	**31,610**
Representing:			
Cash paid to vendor	27,089	-	**27,089**
Integral Diagnostics Limited shares issued to vendor	1,810	-	**1,810**
Contingent consideration	2,711	-	**2,711**
	31,610	-	**31,610**
Net cash acquired with subsidiary	(593)	-	**(593)**
Cash paid	27,089	-	**27,089**
Net cash flow on acquisition	26,496	-	**26,496**

Acquisition-related costs

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

Contingent consideration

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

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

Acquired receivables

The fair value of acquired trade receivables was $594,945. The gross contractual amount for trade receivables due is $594,945, with a nil loss allowance recognised on acquisition.

Revenue and profit contribution

Horizon Radiology has contributed revenues of $11,369,413 to the Group for the period from 1 July 2022 to 30 June 2023. 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.

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 2023 %	Ownership interest 2022 %
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**	100
Martlesham Pty Ltd	Australia	**100**	100
Warby X-Ray Services Pty Ltd	Australia	**100**	100
Wang X-Ray Unit Trust	Australia	**100**	100
Tern Hill Pty Ltd	Australia	**100**	100
Yarrawonga X-Ray Services Pty Ltd	Australia	**100**	100
Yarra X-Ray Unit Trust	Australia	**100**	100
Citiscan Radiology Pty Ltd	Australia	**100**	-
Peloton Radiology Pty Ltd	Australia	**100**	-
The Women's Imaging Group Pty Ltd	Australia	**100**	-
X-Ray & Imaging Holdings Pty Ltd	Australia	**100**	-
X-Ray & Imaging Pty Ltd	Australia	**100**	-
Specialist Radiology Group Limited	New Zealand	**100**	100
Trinity MRI Limited	New Zealand	**100**	100
Integral Diagnostics New Zealand Limited	New Zealand	**100**	100
Astra Radiology Limited	New Zealand	**100**	100
Ascot at Maranui Limited	New Zealand	**100**	100
Insight Radiology Limited	New Zealand	**100**	100
Horizon Radiology Limited	New Zealand	**100**	-

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
- Citiscan Radiology Pty Ltd
- Peloton Radiology Pty Ltd
- The Womens Imaging Group Pty Ltd
- X-Ray & Imaging Holdings Pty Ltd
- X-Ray & Imaging 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 2023 $'000	30 June 2022 $'000
Revenue			
Revenue		**385,627**	319,333
Interest, management fees and dividends eliminated on consolidation		**3,899**	2,548
Interest and other income		**447**	39
Total revenue and other income		**389,973**	321,920
Expenses			
Consumables		**(18,550)**	(16,877)
Employee benefits expense		**(250,120)**	(202,009)
Depreciation expense		**(22,221)**	(18,067)
Amortisation expense		**(14,632)**	(12,266)
Transaction and integration expenses		**8,016**	(5,353)
Share based payment expense		**(1,852)**	637
Equipment related expenses		**(13,307)**	(11,430)
Occupancy expenses		**(6,055)**	(6,689)
Other expenses		**(30,149)**	(25,285)
Finance costs		**(12,489)**	(7,030)
Share of net profits of joint ventures accounted using the equity method		**(328)**	(141)
Total expenses		**(361,687)**	(304,510)
Profit before income tax expense		**28,286**	17,410
Income tax expense		**(5,294)**	(5,677)
Profit for the year from continuing operations		**22,992**	11,733
Profit is attributable to:			
Owners of Integral Diagnostics Limited		**22,992**	11,733
Comprehensive income			
Items that may be reclassified to profit & loss:			
Net (loss)/gain on cash flow hedges		**-**	-
Total comprehensive income		**22,992**	11,733

Consolidated Statement of Financial Position

	Note	30 June 2023 $'000	30 June 2022 $'000
Assets			
Current assets			
Cash and cash equivalents		**27,034**	88,313
Trade and other receivables		**58,346**	17,912
Income tax payable		**173**	3,361
Other assets		**4,851**	6,239
Inventory		**1,632**	1,177
Total current assets		**92,036**	117,002
Non-current assets			
Property, plant and equipment		**129,753**	110,354
Right-of-use assets		**106,657**	90,452
Intangibles		**321,122**	257,952
Deferred tax asset		**17,843**	16,723
Investment		**46,198**	46,348
Total non-current assets		**621,573**	521,829
Total assets		**713,609**	638,831
Liabilities			
Current liabilities			
Trade and other payables		**24,895**	20,222
Borrowings		**2,356**	5,470
Lease liabilities		**12,600**	10,510
Contingent consideration		**6,101**	16,376
Provisions		**26,012**	22,780
Total current liabilities		**71,964**	75,358
Non-current liabilities			
Contingent consideration		**7,778**	8,236
Borrowings		**147,206**	109,150
Lease liabilities		**105,133**	90,445
Deferred tax liability		**14,035**	10,840
Provisions		**8,784**	8,882
Total non-current liabilities		**282,936**	227,553
Total liabilities		**354,900**	302,911
Net assets		**358,709**	335,920
Equity			
Contributed capital		**333,280**	322,543
Reserves		**(7,723)**	(9,422)
Retained profits		**33,152**	22,799
Total equity		**358,709**	335,920

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

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Profit after income tax expense for the year	**25,040**	14,603
Adjustments for:		
Depreciation and amortisation	**43,486**	36,699
Loan establishment costs amortisation/write-off	**391**	408
Share-based payments	**2,212**	(637)
(Profit)/loss on the sale of assets	**17**	(175)
Remeasurement of make good provisions	**(849)**	(60)
Remeasurement of lease Liability	**4,331**	-
Remeasurement of contingent consideration liabilities	**(15,839)**	(1,688)
Bad debts	**356**	(214)
Unrealised FX loss (gain)	**(3)**	155
Share of (profits)/losses of joint venture	**328**	158
Change in operating assets and liabilities, net of the effects of business combinations:		
Increase in trade and other receivables	**(352)**	(3,436)
Increase in deferred taxes	**(1,764)**	(646)
Increase in other operating assets and inventory	**693**	1,846
Increase/(decrease) in trade and other payables	**3,159**	433
Increase/(decrease) in contingent consideration	**(82)**	(3,309)
Increase/(decrease) in provision for income tax	**5,355**	(9,203)
Increase /(decrease) in other provisions	**4,938**	2,165
Net inflow cash from operating activities	**71,417**	37,100

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 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
Business combination	**1,765**	**19,144**	**195**	**-**	**21,104**
New leases net of terminations	**978**	**12,213**	**-**	**-**	**13,191**
Impact of liability maturity for period	**18,890**	**(10,596)**	**41,905**	**(41,600)**	**8,599**
Cash flows	**(19,252)**	**-**	**(45,209)**	**43,049**	**(21,411)**
FX	**93**	**306**	**93**	**2,111**	**2,602**
Balance as at 30 June 2023	**14,214**	**127,266**	**2,454**	**221,142**	**365,076**

Net debt reconciliation

	30 June 2023 $'000	30 June 2022 $'000
Cash and cash equivalents	**33,855**	123,193
Borrowings – repayable within one year	**(2,454)**	(5,470)
Borrowings – repayable after one year[1]	**(221,142)**	(217,582)
Net Debt	**(189,741)**	(99,859)
Cash and liquid investments	**33,855**	123,193
Gross debt – variable interest rates	**(223,596)**	(223,052)
Net Debt	**(189,741)**	(99,859)

1. Non-current borrowings per Note 20 includes $1.17m (2022: $2.04m) of capitalised funding establishment costs.

Note 38. Earnings per share

	30 June 2023 $'000	30 June 2022 $'000
Profit after income tax	**25,040**	14,603
Non-controlling interest	**-**	-
Profit after income tax attributable to the owners of Integral Diagnostics Limited	**25,040**	14,603

	30 June 2023 #	30 June 2022 #
Weighted average number of ordinary shares used in calculating basic earnings per share	**232,718,711**	209,370,731
Adjustments for calculation of diluted earnings per share:		
Weighted average number of performance rights over ordinary shares	**2,928,429**	2,160,053
Weighted average number of options over ordinary shares	**148,156**	337,955
Weighted average number of ordinary shares used in calculating diluted earnings per share	**235,795,296**	211,868,739

	Cents	Cents
Basic earnings per share attributable to the owners of Integral Diagnostics Limited	**10.8**	7.0
Diluted earnings per share attributable to the owners of Integral Diagnostics Limited	**10.6**	6.9

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

Resignation of Directors

On 10 August 2023, the Group announced the resignation of Dr Nazar Bokani and John Atkin from the Board of Directors, effective 9 August 2023 and 31 August 2023 respectively. The Group also announced the appointment of Ingrid Player to the Board of Directors, effective 29 August 2023.

Radiologist Loan Funded Share Plan and Matching Options Plan operations

The Board approved participation in the Radiologist Loan Funded Share Plan and New Zealand Matching Options Plan and subject to receipt of radiologist contributions by 30 August 2023 of $0.33m, these contributions will be matched by an IDX contribution of $0.66m, resulting in $0.99m of equity securities to be issued on 6 September 2023. The number of equity securities to be issued will be determined by the 30-day VWAP up to 1 September 2023.

Results of the performance conditions for the Long Term Incentive (LTI) awards

The performance condition relating to the performance rights issued as part of the FY19 and FY20 Long Term Incentive (LTI) awards was tested on the 28 August 2023. The performance required for vesting was not met for either the FY19 and FY20 LTI awards, and as a result 877,621 performance rights lapsed.

Dividend declaration

Subsequent to year end, a dividend of 3.5 cents per share was declared and will be paid on 4 October 2023.

Other matters or circumstances

No other matter or circumstances has arisen since 30 June 2023 that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs 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 2023 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

28 August 2023

pwc

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 2023 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 2023
- 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.

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

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 $1.5 million, which represents approximately 5% of the Group's profit before tax.
- 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 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.

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 brand names and trademarks *(Refer to note 14)* At 30 June 2023, the Group has a goodwill balance of $444.7 million and indefinite life brand names and trademarks of $28.8 million. The Group's goodwill and brand names are tested for impairment across two cash generating unit Groups ("CGU's") – Australia and New Zealand. Under Australian Accounting Standards, the Group is required to assess the goodwill and brand names for impairment at least annually. The Group has performed impairment tests over the CGU's based on value in use discounted cash flow models (the models). This requires the Group to make significant judgements and assumptions, including estimation of forecast cash flows, terminal value growth rates and discount 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: • Tested the mathematical accuracy of key underlying calculations in the impairment models. • Compared the forecast future cash flows used in the model with the forecasts formally approved by the board. • Compared growth assumptions in the forecast cash flows to historical results and external data sources such as economic and industry forecasts. • With assistance of our internal valuation experts, we assessed the discount rates and long-term growth rates used in the models by comparing them to external market data and comparable companies. 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 Peloton Radiology and Horizon Radiology. The Group undertook a purchase price allocation exercise for both acquisitions in order to calculate the fair value of assets and liabilities acquired, including identifiable intangible assets. The accounting for these acquisitions is a Key Audit Matter given judgements made by the Group in identifying all assets and liabilities of the newly acquired businesses and estimating the fair value of each asset and liability for initial recognition by the Group.	With assistance our internal 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 businesses acquired • Assessed the fair values of the acquired assets and liabilities recognised by considering the valuation methodology adopted by management in light of the requirements of Australian Accounting Standards. We evaluated the disclosures made in Note 34, in light of the requirements of Australian Accounting Standards.

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 2023, 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 through our opinion on the financial report. We have issued a separate opinion on the remuneration report

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 34 to 54 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Integral Diagnostics Limited for the year ended 30 June 2023 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

Niamh Hussey
Partner

Melbourne
28 August 2023

NON-IFRS FINANCIAL INFORMATION

Certain parts of this report contain financial measures that have not been prepared in accordance with the Australian equivalents of international financial reporting standards (IFRS) and are not recognised measures of financial performance or liquidity under IFRS. In addition to the financial information presented in accordance with IFRS, certain 'non-GAAP financial measures' have been included in this report. These measures include Capital expenditure, Free cash flow, Operating EBIT, Operating EBITDA , Operating NPAT, Reported EBITDA, Net debt, Net Debt to Equity, Net Tangible Assets, and Net tangible asset per ordinary security, Return on Invested Capital (ROIC) and Return on Operating Assets.

These non-IFRS financial measures are defined below. This section provides a reconciliation of these measures to the Group's Financial Statements.

The Group believes that the non-IFRS financial measures it presents provide a useful means through which to examine the underlying performance of its business. These measures however, should not be considered to be an indication of, or alternative to, corresponding measures of gross profit, net profit, cash flows from operating activities, or other figures determined in accordance with IFRS. In addition, such measures may not be comparable to similar measures presented by other companies.

Undue reliance should not be placed on the non-IFRS financial measures contained in this report, and the non-IFRS financial measures should not be considered in isolation or as a substitute for financial measures computed in accordance with IRFS.

Although certain of these data have been extracted or derived from the Group's Financial Statements, these data have not been audited or reviewed by the Group's independent auditors.

Definition and calculation of Non-IFRS financial information

Definitions and calculation methodology for non-IFRS financial information used in this report are as follows:

Non-IFRS Financial Information	Management use	Calculation methodology
Capital expenditure	Used to assess the Group's deployment of capital. Management use this measure to aid the decision making of capital allocation and productivity.	Includes capital additions for monies spent on fixed assets such as office furniture equipment, plant and equipment, motor vehicles, software and leasehold improvements.
Free cash flow	Used to assess the cash available for investing and financing activities, including shareholder distributions, debt servicing after running the Group's operations.	Cash flow from operating subtracting replacement capital expenditure.
Net debt	Used to measure the structure of the balance sheet, and the financing of the Group, and aids management in tracking the relative debt level of the Group.	Calculated as interest bearing liabilities less cash and cash equivalents.
Net debt to EBITDA (leverage ratio)	Used to measure the profitability of the Group relative to the debt required to be serviced, and aids management in determining debt servicing requirements of the Group.	Calculated as net debt divided by Reported EBITDA, adjusted for items of income and expense as set out per the Group's lending covenant requirements.
Net tangible assets	Used to measure the Group's net asset position (after excluding intangible assets) to aid management in assessing the liquidity and solvency positions of the Group.	Calculated as net assets after subtracting intangible assets, including right-of-use assets.
Net tangible assets per ordinary security	Used to measure the Group's capital allocation decisions relative to the performance of its share price (equity valuation).	Calculated as net tangible assets, divided by ordinary shares on issue.

Non-IFRS Financial Information	Management use	Calculation methodology
Operating EBITA	Used to assess the Group's operational profitability, excluding amortisation of non-operating intangibles, net finance costs and income tax expense in order to help management track the performance of the Group from its operations only, after excluding the impacts of exceptional and abnormal items.	Calculated as profit before income tax expense and net finance costs, excluding non-operating items.
Operating EBITDA	Used to assess the Group's operational profitability, excluding depreciation, amortisation, net finance costs and income tax expense, in order to help management track the performance of the Group from its operations only after excluding the impact of exceptional and abnormal items. This assists management in determining optimal resource allocation decisions.	Calculated as profit before income tax expense, net finance costs, depreciation and amortisation, excluding non-operating items.
Operating NPAT	Used to assess the Group's operational profitability after excluding the impacts of exceptional and abnormal items.	Calculated as statutory net profit after tax, after excluding tax effective non-operating items.
Reported EBITA	Used to assess the Group's operational profitability, excluding amortisation of non-operating intangibles, net finance costs and income tax expense in order to help management track the performance of the Group from its operations only.	Calculated as profit before income tax expense and net finance costs.
Reported EBITDA	Used to assess the Group's operational profitability, excluding depreciation, amortisation, net finance costs and income tax expense in order to help management track the performance of the Group from its operations.	Calculated as profit before income tax expense, net finance costs, depreciation and amortisation.
Return on invested capital	Used to assess the Group's efficiency in allocating capital to investments, and aids management in making investment decisions.	Calculated as Operating EBIT divided by the sum of net debt and share capital (averaged over 24 months).
Return on operating assets	Used to assess the Group's efficiency in utilising operating assets to generate earnings, and aids management in making investment decisions.	Calculated as LTM organic Operating NPAT (plus trailing acquisitions NPAT) divided by the sum of current assets and property plant and equipment (at cost).

NON-IFRS FINANCIAL INFORMATION

Reconciliation of statutory earnings to non-IFRS financial information

Derived from the Statutory Consolidated Statement of Profit of Loss

	30 June 2023 $'000	30 June 2022 $'000
Operating NPAT		
Statutory NPAT	**25,040**	14,603
Adjusted for:		
Remeasurement of contingent consideration liabilities (tax-effected)	**(15,774)**	-
Transaction and integration costs (tax-effected)	**4,879**	5,491
Share based payments (tax-effected)	**1,852**	(637)
Share of net profit of joint ventures (tax-effected)	**328**	158
Amortisation of customer contracts (tax-effected)	**1,537**	2,111
Operating NPAT	**17,862**	21,726
Reported EBITA/EBITDA		
Statutory NPAT	**25,040**	14,603
Adjusted for:		
Income tax expense	**5,593**	7,958
Interest income	**(423)**	(39)
Finance costs	**18,365**	10,484
Amortisation of customer contracts	**2,153**	3,021
Reported EBITA	**50,728**	36,027
Adjusted for:		
Depreciation Expense	**25,459**	20,651
Amortisation Expense	**15,874**	13,103
Reported EBITDA	**92,061**	69,781

	30 June 2023 $'000	30 June 2022 $'000
Operating EBITA		
Reported EBITA	**50,728**	36,027
Adjusted for:		
Remeasurement of contingent consideration liabilities	**(15,839)**	-
Transaction and integration costs	**6,762**	5,460
Share based payments	**1,852**	(637)
Share of net profit of joint ventures	**328**	158
Operating EBITA	**43,831**	41,008
Operating EBITDA		
Reported EBITDA	**92,061**	69,781
Adjusted for:		
Remeasurement of contingent consideration liabilities	**(15,839)**	-
Transaction and integration costs	**6,762**	5,460
Share based payments	**1,852**	(637)
Share of net profit of joint ventures	**328**	158
Asset Impairment	**26**	-
Operating EBITDA	**85,190**	74,762

NON-IFRS FINANCIAL INFORMATION

Derived from the Consolidated Statement of Profit or Loss and Consolidated Statement of FInancial Position

	30 June 2023 $'000	30 June 2022 $'000
Diluted Operating EPS		
Operating NPAT	**17,862**	21,726
Divided by:		
Weighted average no. of shares (WaNoS)	**30 June 2023 #000s**	30 June 2022 #000s
WaNoS	**232,719**	209,371
WaN diluting instruments	**3,076**	2,498
Total dilutive WaNoS	**235,795**	211,869
Diluted Operating EPS (cents per share)	**7.6**	10.3

	30 June 2023 $'000	30 June 2022 $'000
Return on operating assets		
Operating NPAT	**17,862**	21,726
Adjusted for:		
Trailing NPAT adjustment for business combinations	**-**	1,699
Operating NPAT including trailing NPAT from business combinations	**17,862**	23,425
Divided by:		
Operating assets		
Current assets	**62,740**	154,000
Property, plant and equipment (at cost)	**256,017**	219,316
Total operating assets	**318,757**	373,316
Return on operating assets	**5.6%**	6.3%

	30 June 2023 $'000	30 June 2022 $'000
Declared dividend payout ratio		
Interim dividend of 2.5 cents per share paid on 4 April 2023	**5,755**	8,025
Final dividend of 3.5 cents declared on 28 August 2023	**8,154**	6,885
Total dividend paid or declared	**13,909**	14,910
Divided by:		
Operating NPAT	**17,862**	21,726
Declared dividend payout ratio	**77.9%**	68.6%

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 1 August 2023.

a. Top 20 shareholders – ordinary shares

Rank	Name	Number of fully paid ordinary shares	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	41,305,475	17.73
2	Citicorp Nominees Pty Limited	37,720,613	16.19
3	J P Morgan Nominees Australia Pty Limited	30,949,506	13.28
4	National Nominees Limited	12,416,583	5.33
5	BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	4,309,344	1.85
6	BNP Paribas Noms Pty Ltd <DRP>	3,943,475	1.69
7	HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	3,469,048	1.49
8	New Imaging Pty Ltd <New Imaging A/C>	3,389,045	1.45
9	Washington H Soul Pattinson and Company Limited	3,290,936	1.41
10	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	3,276,722	1.41
11	Lethean Holdings Pty Ltd <Howitt No 8 A/C>	2,944,760	1.26
12	J A Mullins Pty Ltd <James A Mullins Family A/C>	2,616,051	1.12
13	Firbar Pty Ltd <The Howitt No 4 A/C>	2,357,230	1.01
14	Lockwood Ridge Pty Ltd <The AJ French Family A/C>	2,177,058	0.93
15	Mittal Holdings Pty Ltd <Howitt No 12 A/C>	2,085,907	0.90
16	Mr Vincent Michael O'sullivan <O'sullivan A/C>	2,059,000	0.88
17	Wyndham Salter Pty Ltd <The Howitt No 10 A/C>	1,862,947	0.80
18	Masfen Securities Limited	1,710,000	0.73
19	Netwealth Investments Limited <Wrap Services A/C>	1,605,935	0.69
20	BNP Paribas Noms (NZ) Ltd <DRP>	1,509,566	0.65
Top 20 holders of ordinary fully paid shares (total)		**164,999,201**	**70.80**

b. Register of substantial shareholdings

Shareholder	Number of fully paid ordinary shares	% of issued capital
Integral Diagnostics Limited[1]	17,842,379	7.66
Yarra Capital Entities[2]	15,540,743	6.67
Norges Bank	15,159,074	6.51
Perennial Value Management Limited	14,198,367	6.09

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, 29 June 2022 (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, Peloton Restriction deeds, Horizon 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.
2. Includes: Yarra Capital Management Limited; Yarra Funds Management Limited; Yarra Capital Management Holdings Pty Ltd; Yarra Management Nominees Pty Ltd; AA Australia Finco Pty Ltd; TA SP Australia Topco Pty Ltd and TA Universal Investment Holdings Ltd.

c. Distribution of shareholders – ordinary shares

Range	Total holders	Number of fully paid ordinary shares	% of Issued capital
1 to 1,000	1,980	897,552	0.39
1,001 to 5,000	2,477	6,401,310	2.75
5,001 to 10,000	740	5,366,771	2.30
10,001 to 100,000	762	20,045,852	8.60
100,001 and over	123	200,317,873	85.96
Total	**6,082**	**233,029,358**	**100.00**

d. Less than marketable parcels of ordinary shares

There are 414 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 $2.96 at the 1 August 2023.

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	275,566	12.22	10	62.50
100,001 and over[1]	1,979,578	87.78	6	37.50
Total	**2,255,144**	**100.00**	**16**	**100.00**

1. All Performance Rights are issued under the Company's Equity Incentive Plan. Dr Ian Kadish holds greater than 20% of the performance rights: 1,019,150.

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	413,112	44.74	9	75.00
100,001 and over	510,230	55.26	3	25.00
Total[1]	**923,342**	**100.00**	**12**	**100.00**

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

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	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	8-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		**13,374,300**

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 resigned 9 August 2023

Company Secretary

Kirsty Lally

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 Corporation
Commonwealth Bank of Australia
Australian and New Zealand Banking Group Limited

Stock exchange listing

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

Website

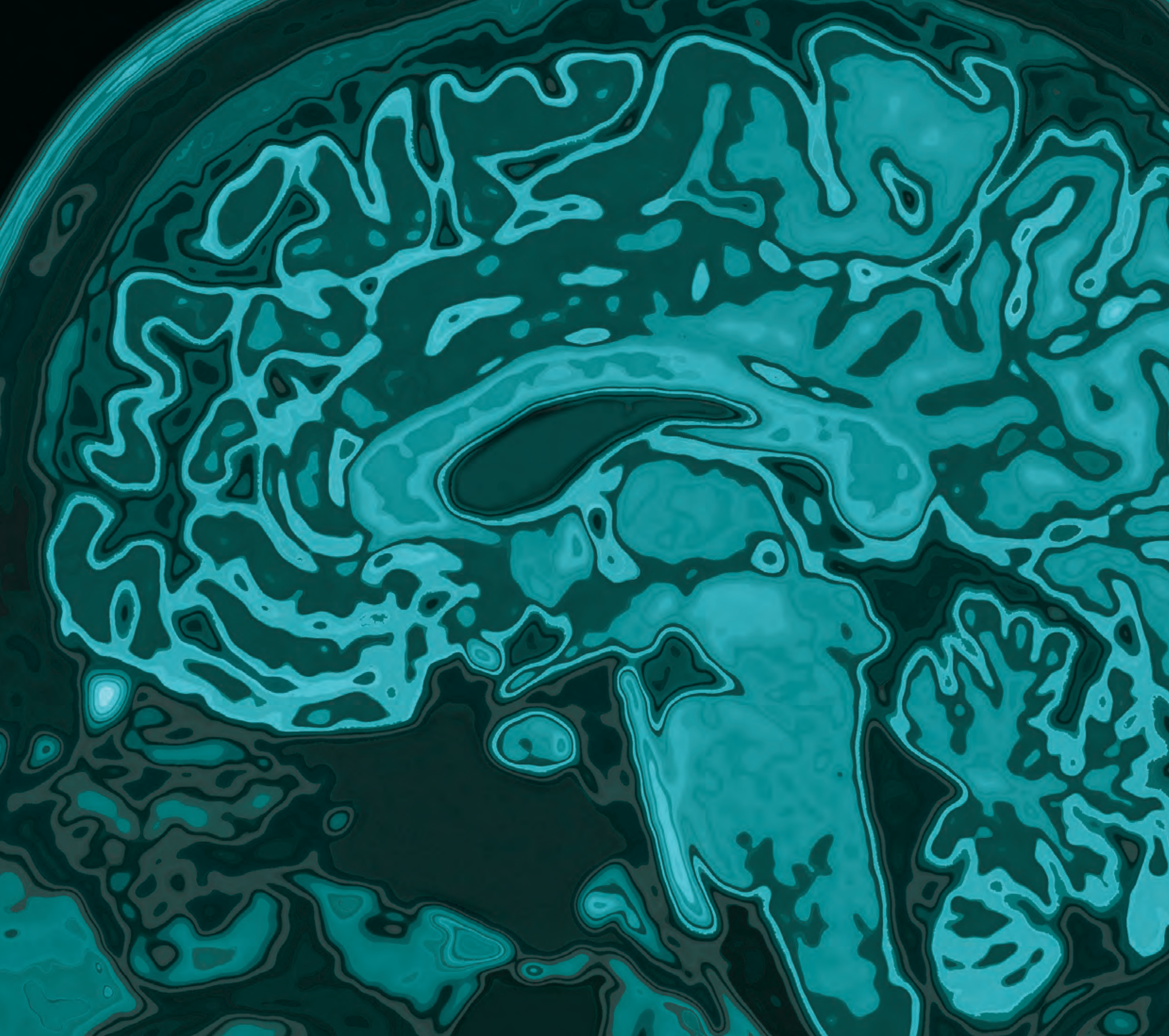
integraldiagnostics.com.au

Corporate Governance Statement

The Corporate Governance Statement was approved by the Board of Directors on 28 August 2023 and can be found at: www.integraldiagnostics.com.au/corporate-governance

ESG Report

The FY23 ESG Report will be published prior to our Annual General Meeting on the Company's website: www.integraldiagnostics.com.au/reports



This Report was printed on IMPACT - 100% Recycled Paper
Made with a carbon neutral manufacturing process.

Impact is FSC COC certified and consists of 100% post consumer waste recycled fibre.

The Paper Mill uses 86% renewable energy, meaning emissions generated by producing Impact are incredibly low.
The remaining unavoidable CO2 emissions are compensated for by promoting controlled emission reduction projects, audited and certified by ClimatePartner.

This Report was printed by AFFINITY PRINT
Certified Environmental Management System
Certification Partner Global ISO 1400 : 2015
Eco Warranty : 2016

RESPONSIBLE FORESTRY PRACTICES

RECYCLED

ELEMENT CHLORINE FREE

ISO14001 EMS

PROCESS CHLORINE FREE

ACID FREE

PAPER MADE CARBON NEUTRAL

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integral DIAGNOSTICS