

1. Company details

Name of entity:	Integral Diagnostics Limited
ABN:	55 130 832 816
Reporting period:	For the half-year ended 31 December 2016
Previous period	For the half-year ended 31 December 2015

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	8.5% to	88,574
Profit from ordinary activities after tax attributable to the owners of Integral Diagnostics Limited	up	129% to	8,662
Profit for the half-year attributable to the owners of Integral Diagnostics Limited	up	129% to	8,662

Dividends

Dividends declared and paid in respect of FY16 of 4.0 cents per share.

The Directors declared a dividend of 3.0 cents per share on the 22 February 2017 payable on the 30 March 2017.

Comments

Statutory net profit after tax for the six months ended 31 December 2016 ('1H FY2017') was \$8.662 million (1H FY2016: \$3.779 million).

Total revenue and other income for 1H FY2017 was up 7.9% to \$88.766 million (1H FY2016: \$82.230 million). The result achieved in 1H FY2017 included a full six-month contribution from the acquisition of South West MRI and Western District Radiology.

Net profit after tax for 1H FY2017 after removing the fair value gain on the South West MRI joint venture acquisition and amortisation was \$7.687 million compared to a pro forma reported result of \$8.174 million in 1H FY2016.

The decline in 1H FY2017 pro-forma net profit after tax (after adjusting for amortisation and the fair value gain) reflected challenging trading conditions. IDX continued to experience inconsistent and volatile referral patterns. Broader industry volumes have been slow to recover since the end of 2015 due to Government policy uncertainty including MYEFO announcements that proposed cuts to bulk billing (but are yet to be implemented). In addition, there has been increased competition in select locations where IDX operates.

Patient volume growth for IDX across Medicare funded, patient funded and reporting contract examinations was up 4.8% on the prior comparable period (adjusted for working days). While under the Company's expectations, this growth rate exceeds Medicare data in the states in which IDX operates.

During the period, the Group:

- Successfully integrated Western District Radiology and South West MRI
- Expanded capacity in Toowoomba, Sunbury and Geelong
- Signed five, 5 year contracts with the West Australian Country Health Service relating to the provision of reporting contracts in remote regions. Two of these contracts were new to the group and increased services began in November and December respectively
- Contributed to the refurbishment of IDX's facilities at Pindara Private Hospital
- Invested in IT platforms to support the delivery of improved medical imaging digital reporting to referrers
- Purchased a Mobile MRI which will operate across remote areas in Western Australia from April 2017.

Net assets of the Group at 31 December 2016 were \$88.051 million, an increase of \$4.131 million from 30 June 2016. This increase primarily reflects the impact of the acquisition of South West MRI and Western District Radiology.

IDX's business is capital intensive and requires the recruitment and retention of specialist skills to deliver the Company's services. In the current lower than expected industry growth environment, IDX's ability to deliver adequate returns on a number of strategic sites has been impacted due to lower than planned utilisation rates. As utilisation rates increase, these sites are expected to deliver improved returns.

The Board has retained the services of an executive search firm, and is actively progressing the recruitment of a new CEO.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(9.68)	(14.70)

4. Control gained over entities

On 1 July 2016, the Group acquired the assets and liabilities of the Western District Radiology business and the remaining 50% interest in South West MRI Pty Ltd (collectively known as the WDR/SWMRI acquisition) for the total consideration transferred of \$4.954 million. This acquisition complements the Group's strengths and further improves the Group's position in the South West region of Victoria and has been integrated into the Group.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Dividend declared and paid to shareholders of the Company	4.0	4.0

Previous period

	Amount per security Cents	Franked amount per security Cents
Dividend paid to shareholders of the Company	n/a	n/a

7. Details of associates and joint venture entities

Not applicable.

8. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Financial Report.

9. Attachments

Details of attachments (if any):

The Interim Financial Report of Integral Diagnostics Limited for the half-year ended 31 December 2016 is attached.

10. Signed

Signed

A handwritten signature in black ink, appearing to be "H. Kurincic", written over a horizontal line.

Helen Kurincic
Independent - Non-Executive Chairman
Melbourne

Date: 22 February 2017

Integral Diagnostics Limited
31 December 2016



Integral Diagnostics Limited

ABN 55 130 832 816

Interim Financial Report - 31 December 2016

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Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Integral Diagnostics Limited (referred to hereafter as the 'Company' or 'parent entity' or 'IDX') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

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

Helen Kurincic (Independent Non-Executive Chairman)
John Livingston (Managing Director and Chief Executive Officer)
Dr Chien Ping Ho (Executive Director)
Dr Sally Sojan (Executive Director)
John Atkin (Independent Non-Executive Director)
Garry Hounsell (Independent Non-Executive Director)
Rupert Harrington (Non-Executive Director)

Principal activities

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

Significant changes in the state of affairs

On 1 July 2016, the Group acquired the Western District Radiology business and the remaining 50% interest in South West MRI Pty Ltd for the total consideration transferred of \$4.954m. This acquisition complements the Group's strengths and further strengthens the Group's position in the South West region of Victoria. See Note 14 to the financial statements for full details of this transaction.

Review of operations

Statutory net profit after tax for the six months ended 31 December 2016 ('1H FY2017') was \$8.662 million (1H FY2016: \$3.779 million).

Total revenue and other income for 1H FY2017 was up 7.9% to \$88.766 million (1H FY2016: \$82.230 million). The result achieved in 1H FY2017 included a full six-month contribution from the acquisition of South West MRI and Western District Radiology.

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During the period, the Group:

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Net assets of the Group at 31 December 2016 were \$88.051 million, an increase of \$4.131 million from 30 June 2016. This increase primarily reflects the impact of the acquisition of South West MRI and Western District Radiology.



IDX's business is capital intensive and requires the recruitment and retention of specialist skills to deliver the Company's services. In the current lower than expected industry growth environment, IDX's ability to deliver adequate returns on a number of strategic sites has been impacted due to lower than planned utilisation rates. As utilisation rates increase, these sites are expected to deliver improved returns.

The Board has retained the services of an executive search firm, and is actively progressing the recruitment of a new CEO.

Rounding of amounts

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

Comparatives

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

Auditor's independence declaration

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

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

On behalf of the directors

A handwritten signature in black ink, appearing to be "H. Kurincic", written over a horizontal line.

Helen Kurincic
Independent Non-Executive Chairman

A handwritten signature in black ink, appearing to be "John Livingston", written over a horizontal line.

John Livingston
Managing Director and Chief Executive Officer

22 February 2017
Melbourne



Auditor's Independence Declaration

As lead auditor for the review of Integral Diagnostics Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

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

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

Nadia Carlin

Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
22 February 2017

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Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

	Note	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Revenue			
Revenue	4	88,574	81,655
Interest and other income		192	575
Total revenue and other income		<u>88,766</u>	<u>82,230</u>
Expenses			
Consumables		(4,706)	(4,222)
Employee benefits expense		(51,589)	(46,964)
Depreciation and amortisation expense		(4,941)	(4,269)
Transaction costs		-	(6,376)
Equipment related expenses		(3,353)	(2,986)
Occupancy expenses		(6,147)	(5,764)
Other expenses		(5,919)	(4,858)
Finance costs		(1,455)	(1,743)
Total expenses		<u>(78,110)</u>	<u>(77,182)</u>
Operating profit		10,656	5,048
Share of profits of associates accounted for using the equity method		-	11
Fair Value Gain on acquisition of equity accounted joint venture		1,200	-
Profit before income tax expense		11,856	5,059
Income tax expense		(3,194)	(1,280)
Profit for the year from continuing operations		8,662	3,779
Other comprehensive income, net of tax		-	-
Total comprehensive income		<u>8,662</u>	<u>3,779</u>
Profit is attributable to:			
Owners of Integral Diagnostics Limited		<u>8,662</u>	<u>3,779</u>
Total comprehensive income is attributable to:			
Owners of Integral Diagnostics Limited		<u>8,662</u>	<u>3,779</u>
Earnings per share attributable to the owners of Integral Diagnostics Limited			
		Cents	Cents
Basic earnings per share		5.97	2.83
Diluted earnings per share		5.97	2.83

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

**Statement of financial position
As at 31 December 2016**

	Note	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	5	21,429	23,620
Trade and other receivables		6,642	5,544
Other assets		3,836	2,450
Inventory		273	333
Total current assets		<u>32,180</u>	<u>31,947</u>
Non-current assets			
Property, plant and equipment	6	51,157	46,629
Intangibles	7	102,095	97,725
Deferred tax asset		5,193	4,804
Total non-current assets		<u>158,445</u>	<u>149,158</u>
Total assets		<u>190,625</u>	<u>181,105</u>
Liabilities			
Current liabilities			
Trade and other payables		13,025	10,397
Borrowings		8,986	6,762
Income tax payable		(293)	1,107
Provisions		9,848	9,519
Total current liabilities		<u>31,566</u>	<u>27,785</u>
Non-current liabilities			
Borrowings		63,031	61,781
Derivative financial instruments		204	365
Provisions		7,773	7,254
Total non-current liabilities		<u>71,008</u>	<u>69,400</u>
Total liabilities		<u>102,574</u>	<u>97,185</u>
Net assets		<u>88,051</u>	<u>83,920</u>
Equity			
Contributed capital	8	84,035	82,760
Reserves		(11,862)	(11,862)
Retained profits		15,878	13,022
Total equity		<u>88,051</u>	<u>83,920</u>

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

Statement of changes in equity
For the half-year ended 31 December 2016

	Contributed capital	Reserves	Retained profits	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015	50,743	(10,537)	1,634	41,840
Profit after income tax expense	-	-	3,779	3,779
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	3,779	3,779
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	32,560	(194)	-	32,366
Transaction with non-controlling interest reserve	-	(1,197)	-	(1,197)
Share based payments	-	66	-	66
Balance at 31 December 2015	<u>83,303</u>	<u>(11,862)</u>	<u>5,413</u>	<u>76,854</u>
	Contributed capital	Reserves	Retained profits	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	82,760	(11,862)	13,022	83,920
Profit after income tax expense	-	-	8,662	8,662
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	21,684	92,582
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (Note 8 and 14)	1,275	-	-	1,275
Dividends Paid (Note 9)	-	-	(5,806)	(5,806)
Balance at 31 December 2016	<u>84,035</u>	<u>(11,862)</u>	<u>15,878</u>	<u>88,051</u>

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

Statement of cash flows
For the half-year ended 31 December 2016

	Note	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Cash flows from operating activities			
Receipts from customers		87,365	83,695
Payments to suppliers and employees		(69,425)	(65,673)
Transaction costs relating to acquisition of subsidiaries		(180)	(5,825)
Interest and other finance costs paid		(1,523)	(1,689)
Income taxes paid		(4,900)	(4,827)
Net cash from operating activities		<u>11,337</u>	<u>5,681</u>
Cash flows from investing activities			
Payments for purchase of subsidiary, net of cash acquired	14	(3,529)	-
Payments for property, plant and equipment	6	(7,000)	(10,946)
Proceeds from disposal of property, plant and equipment		-	310
Interest received		192	95
Net cash used in investing activities		<u>(10,337)</u>	<u>(10,541)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	33,170
IPO transaction costs		-	(1,955)
Proceeds from borrowings		6,306	8,652
Repayment of borrowings		(3,691)	(26,583)
Dividends paid to Company shareholders	9	(5,806)	-
Settlement of deferred consideration		-	(3,150)
Transactions with non-controlling interests		-	(1,197)
Net cash from/(used in) financing activities		<u>(3,191)</u>	<u>8,937</u>
Net increase/(decrease) in cash and cash equivalents		(2,191)	4,077
Cash and cash equivalents at the beginning of the financial year		23,620	9,596
Cash and cash equivalents at the end of the financial year		<u>21,429</u>	<u>13,673</u>

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

Notes to the financial statements

Note 1. General information

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

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

1111 Howitt Street
Wendouree VIC 3355

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2017.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

Basis of preparation

The financial report has been prepared on a going concern basis.

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Note 3. Operating segments

Identification of reportable operating segments

The Group comprised the single business segment of the operation of diagnostic imaging facilities.

Operating segment information

As the Group operates in a single business and geographic segment, these financial statements represent the required financial information of that segment.

Geographical information

The diagnostic imaging segment operates from the single geographic location of Australia.



Note 4. Revenue

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
<i>Sales revenue</i>		
Services revenue	87,686	80,755
	<hr/>	<hr/>
<i>Other revenue</i>		
Other revenue	888	900
Revenue	<u>88,574</u>	<u>81,655</u>

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Cash on hand	15	15
Cash at bank	21,414	23,605
	<hr/>	<hr/>
	<u>21,429</u>	<u>23,620</u>

Note 6. Non-current assets - property, plant and equipment

Acquisitions and Disposals

During the six months ended 31 December 2016, the Group acquired assets with a cost of \$7.000m (six months ended 31 December 2015: \$10.946m, excluding plant and equipment acquired through a business combination (see Note 14).

Note 7. Non-current assets - intangibles

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Goodwill – at cost	94,240	89,704
Brand names – at cost	7,155	7,000
Customer contracts – at cost	2,456	2,456
Less: Accumulated amortisation	(1,756)	(1,435)
	<u>700</u>	<u>1,021</u>
	<u>102,095</u>	<u>97,725</u>

Reconciliations:

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

	Goodwill	Brand names	Customer contracts	Total
	\$'000	\$'000	\$'000	\$'000
Consolidated				
Balances at 1 July 2016	89,704	7,000	1,021	97,725
Business Combinations (Note 14)	4,536	155	-	4,691
Amortisation expense	-	-	(321)	(321)
Balance at 30 June 2016	<u>94,240</u>	<u>7,155</u>	<u>700</u>	<u>102,095</u>

Goodwill and brand names are tested for impairment annually (as at 30 June 2016) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value in use calculations. The key assumptions used to determine the recoverable amount of goodwill were disclosed in the annual consolidated financial statements for the year ended 30 June 2016.

For the year ended 30 June 2016 the Group identified three cash generating units to which goodwill was applied. Management have undertaken a review of the judgements used to determine the allocation of goodwill to individual cash generating units and have concluded that given the change in the structure and operations of the business of IDX since initial acquisition of the individual businesses it is concluded that the way the business is being managed and monitored has fundamentally shifted to a consolidated business level. In addition given the synergies now being delivered, the opportunities available to IDX from the amalgamation of the businesses as a whole, goodwill should be allocated across multiple cash generating units. From 1 July 2016 Goodwill forms part of one cash generating unit for impairment testing purposes, which is in line with the operating segment identified in Note 3.

The Group considers current performance against expectations, amongst other factors when reviewing for indicators of impairment. As at 31 December 2016 the performance of the Group was below expectations driven by an overall decline in medical imaging activity due largely to ongoing uncertainty with government regulation. As a result, management performed an impairment calculation as at 31 December 2016 for the group.

A value in use calculation was used to determine the recoverable amount, which exceeded the carrying amount. The projected cash flows were updated to reflect a conservative estimate in expected growth in demand for medical imaging, expected growth over the 5 year cash flow period was 4.0%-4.2% (30 June 2016: 4.2%-4.7%). In addition EBITDA was estimated to grow by only 3% to ensure impairment models were conservative. All other assumptions remained consistent with those disclosed in the annual financial statements for the year ended 30 June 2016 as management assessed these assumptions and determined that they remained reasonable. As a result of the updated analysis management did not identify an impairment for goodwill and intangible assets with indefinite lives.

Should managements judgement in regards to the allocation of goodwill to cash generating units for the purpose of impairment testing not have changed and goodwill and intangible assets with indefinite lives were tested for impairment as allocated to the separate cash generating units as outlined in the annual financial statements for the year ended 30 June 2016 and in accordance with the updated assumptions as outlined above no impairment for goodwill and intangibles with indefinite lives would have been identified.

Note 8. Equity - contributed capital

	Consolidated		Consolidated	
	31 Dec 2016 Shares	30 Jun 2016 Shares	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Ordinary shares - fully paid	145,044,157	144,136,101	84,035	82,760
<i>Movements in ordinary share capital</i>				
Detail/s	Date	No of shares	Issue price	\$'000
Balance	01 July 2016	144,136,101		82,760
Issue of new shares on acquisition (Note 14)	01 July 2016	908,056	\$1.4041	1,275
Balance	31 December 2016	145,044,157		84,035

Note 9. Equity - dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Dividend paid to shareholders of the Company at 4.0 cents per share paid on 4 October 2016	5,806	-

Note 10. Related Party Transactions

The following transactions occurred with related parties in the six months ended 31 December 2016 and 2015 as well as balances with related parties as at 31 December 2016 and 30 June 2016.

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Other income:		
Management fee received from South West MRI Pty Ltd a Joint Venture entity	-	100,000
Payment for goods and services:		
Consulting fees paid to Helen Kurincic, a director of the Group:	-	60,000
Consulting fees paid to Garry Hounsell, a director of the Group:	-	25,000
Consulting fees paid to John Atkin, a director of the Group:	-	25,000
Radiology services provided to South West MRI Pty Ltd a Joint Venture entity:	-	141,747
Cleaning fees paid to GJ Hughes of which Gregory Hughes is related to (this contract was terminated in February 2017):	9,300	9,000
Payment for rental of buildings to Eleven How Pty Ltd of which Chien Ho, John Livingston, Gregory Hughes and Craig Bremner are related to:	194,885	159,584
Payment for contribution to leasehold improvements to Eleven How Pty Ltd of which Chien Ho, John Livingston, Gregory Hughes and Craig Bremner are related to:	-	235,400
Payment for rental of buildings to Perhaps Holdings Pty Ltd of which Chien Ho and John Livingston are related to:	37,628	35,965
Payment for rental of buildings to Kiwi Blue Pty Ltd of which Chien Ho and John Livingston are related to:	111,973	98,028
Other Transactions:		
Subscription for new ordinary shares by John Atkin, a director of the Group:	-	175,000
Subscription for new ordinary shares by Rupert Harrington, a director of the Group:	-	246,656

Receivable from and payable to related parties

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

	Consolidated	
	31 December 2016	30 June 2016
	\$'000	\$'000
Current receivables:		
Trade receivables from related parties	55	155

Loans to/from related parties

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

Terms and conditions

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

Note 11. Contingent liabilities

The Group has given bank guarantees as at 31 December 2016 of \$1,408,026 (31 December 2015: \$1,157,000) to various landlords.

Note 12. Commitments

There has been no significant change to the substance or value of commitments to those disclosed in the 30 June 2016 Financial report.

Note 13. Events after the reporting period

On 22 February 2017 a dividend of 3.0 cents per share was declared.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 14. Business Combinations

On 1st July 2016, the Group acquired the assets and liabilities of the Western District Radiology business and the remaining 50% interest in South West MRI Pty Ltd (collectively known as the WDR/SWMRI acquisition) for the total consideration transferred of \$4.954m inclusive of GST. This acquisition complements the Group's strengths and further strengthens the Group's position in the South West region of Victoria and will be integrated into the Group so as the maximum synergies can be obtained.

The business of South West MRI Pty Ltd was valued at \$2.400m immediately prior to acquisition, the value of the 50% interest held previously immediately prior to acquisition was \$0.002m resulting in the recognition of a \$1.200m gain as a result of re-measuring to fair value the equity interest held in South West MRI Pty Ltd. This amount was recognised in other income in the statement of profit and loss as at 1 July 2016 and in goodwill. The share of plant and equipment \$0.453m and debt assumed \$0.389m will result in net assets of \$0.065m being booked which will reduce goodwill by \$0.065m.

Note 14. Business Combinations cont'd

Details of the acquisition are as follows:

	Recognised on acquisition Fair value \$'000
Plant and equipment	1,968
Brand name	155
Other assets	106
Employee benefits	(229)
Lease make good provision	(100)
Debt assumed	(767)
GST on acquisition	485
	<hr/>
Net assets acquired	1,618
Fair value gain on acquisition of SWMRI Pty Ltd joint venture	(1,200)
Goodwill	4,536
	<hr/>
Acquisition-date fair value of the total consideration transferred	4,954
	<hr/>
Representing:	
Cash paid or payable to vendor(including GST)	3,529
Contingent consideration	150
Integral Diagnostics Limited shares issued to vendor	1,275
	<hr/>
	4,954
	<hr/>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	4,954
Less: 908,056 shares issued by Company (at fair value of \$1.4041 per share) as part of consideration	(1,275)
Less: Contingent consideration	(150)
	<hr/>
Net cash used	3,529
	<hr/>

Total goodwill to be booked on the transaction \$3.401m relating to the acquisition, \$1.200m relating to the fair value uplift on existing interest less \$0.065 on recognition of 50% of net assets in SWMRI, totaling goodwill of \$4.536m. The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of SWMRI/WDR with those of the Group. The goodwill is not deductible for income tax purposes.

Contingent consideration payable is a maximum amount of \$0.150m and is dependent on a range of performance hurdles over a two year period, with payments required six monthly. On acquisition it was considered that all performance hurdles would be met and the contingent consideration would be payable. As at the date of this report \$0.050m of the deferred consideration is payable.

From the date of acquisition, which was the beginning of the period, SWMRI/WDR has contributed \$2.293m of revenue and \$1.092m (prior to any corporate overhead allocations) to the net profit before tax from the continuing operations of the Group.

Transaction costs of \$0.180m were expensed in the statement of profit and loss for the year ended 30 June 2016 and were part of the operating cash flows in the statement of cash flows for the half year ended 31 December 2016.

Directors' Declaration

In the directors' opinion:


- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Helen Kurinjac
Independent Non-Executive Chairman



John Livingston
Managing Director and Chief Executive Officer

22 February 2017
Melbourne



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Integral Diagnostics Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Integral Diagnostics Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Integral Diagnostics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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

Report on the Half-Year Financial Report (Continued)

Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'Nadia Carlin', written over a faint horizontal line.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Nadia Carlin', written in a cursive style.

Nadia Carlin
Partner

Melbourne
22 February 2017