

# Appendix 4E

## Preliminary Final Report

Name of entity

<b>ITL Health Group Limited (formerly ITL Limited)</b>
--

ABN or equivalent company reference

**16 088 212 088**

### 1.0 Details of the reporting period and the previous corresponding period

Reporting Period: 30 June 2018

Previous Corresponding Period: 30 June 2017

### 2.0 Results for announcement to the market

Should be read in conjunction with most recent annual financial report

\$A'000

2.1 Revenues from continuing operations	Down	5%	to	21,362
Revenues from ordinary activities	Down	30%	to	24,309
2.2 Profit/(loss) after tax from continuing operations attributable to members	Down	288%	to	(6,144)
Profit/(loss) after tax from ordinary activities attributable to members	Down	12%	to	3,022
2.3 Net profit/(loss) for the period attributable to members	Down	12%	to	3,022
2.4 Dividends		Amount per share		Franked Amount per share
Nil dividends paid or declared		Nil		Nil
2.5 Record date for determining entitlements to the final dividend				n/a
2.6 Brief explanation of any of the figures reported above necessary to enable the figures to be understood.				
Refer to ASX Announcement and attached Annual Report 2018				

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**Appendix 4E**

**ITL Health Group Limited – Year Ended 30 June 2018**

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<b>3.0 NTA Backing</b>	Current period <b>30 June 2018</b>	Previous Period <b>30 June 2017</b>
Net tangible asset backing per ordinary security	14.0 cents	11.5 cents
Net Asset Backing per ordinary security	17.6 cents	18.4 cents

#### **4.0 Control gained or lost over entities having material effect**

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

#### **5.0 Material interests in entities which are not controlled entities**

#### **6.0 Compliance Statement**

The preliminary final report has been prepared based on 30 June 2018 accounts which have been audited by an independent Audit Firm in accordance with the requirements of S302 of the *Corporations Act 2001*.

Attachments forming part of Appendix 4E:

1. Annual Report



Signed here: .....

Date: 31 August 2018

William Mobbs  
Executive Chairman



**(formerly ITL Limited)  
(ABN: 16 088 212 088)**

**2018  
Annual Report**

# ITL 2018 ANNUAL REPORT

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## Chairman's Message to Shareholders

ITL Health Group Limited's ("ITL", formerly ITL Limited) financial results for the year which included the divestment of its custom procedure pack business are:

- Revenue of \$24.3m (2017: \$34.8m);
- Profit before tax of \$2.4m (2017: \$3.6m);
- EBITDA of \$3.6m (2017: \$4.8m);
- Profit after tax of \$3.0m (2017: \$3.4m);
- Earnings per share of 3.3 cents (2017: 3.6 cents);
- Net asset backing per share 14.0 cents (2017: 18.4 cents);
- Net debt \$0.4m (2017: \$2.6m)

ITL, in line with its strategic plan to focus on innovation and growth in the global blood industry, completed the divestment of its Australian custom procedure pack business (appx. \$12m pa revenue) on 2 October 2017 for \$14.7m.

The sale has resulted in lower total revenue however the gross profit margins have increased reflecting the move in strategy toward innovative and proprietary products. The total Group profits for the year, whilst down on the previous year, includes restructuring and asset write offs/impairments of \$6.9m. The divestment has also delivered direct returns to shareholders through the on-market share buy-back (12,232,543 shares @ \$5.5m), and has delivered lower debt levels (down \$2.2m) and reduced working capital requirements.

During the year ITL has continued to invest in:

- increased sales and marketing activities to expand current markets and diversify into new markets;
- R&D for new products and;
- development of the MyHealthTest business, including commencement of the collaborative research project to develop 30 plus new tests

This financial year has been a tumultuous year due to the sale of ITL Healthcare and the relocation of the MyHealthTest business. There has been major disruption in normal operations due to separation of business issues including regulatory transfers and approvals; manufacturing transfers to our Malaysian facility; customer novations; establishing a new office for the retained business and; recruiting and training a new sales team. During the period MyHealthTest also relocated to larger and more suitable premises inclusive of clinical suites and expanded laboratory facilities for future growth and development.

I would also personally like to thank all employees for the effort throughout the year to ensure the transition was as smooth and successful as possible.

The Board is confident the Group has now structured itself to focus on its strategic markets and to take advantage of the new products released, and due to be released, during the next 12 months which are expected to generate strong growth in future years.



William Mobbs  
Executive Chairman

## Company Profile

### History

Over the years ITL Health Group Limited (formerly ITL Limited) and Controlled Entities (“ITL”) have grown from a small privately owned research and development venture into a multi-million dollar publicly listed company manufacturing and supplying products into the Australian and global healthcare markets (now into 55 countries). During the year ITL completed the strategic divestment of the Australian Custom Procedure Pack business (in the ITL Healthcare Pty Ltd entity) retaining key product groups focused within the blood industry.

### ITL BioMedical (“BioMed”)

BioMed creates and manufactures leading edge medical devices for the blood banking and blood culture testing markets. The retained products from the divested business include invasive blood pressure monitoring and intravenous bloodstream infection prevention kits and have now been included in BioMed segment to reflect a segment focused on medical devices serving the global blood markets.

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

- Management and new product development is based in Australia and the United States;
- Manufacturing and tool making is based in Malaysia. Our manufacturing facility is TUV accredited; Quality Management System is EN ISO 13485:2012 certified and; the Environmental Management System is ISO 14001: 2015 certified. Products include FDA 510K and/or CE mark as necessary.
- Sales and marketing for the blood banking and blood culture testing products is based in North America where our largest customers and markets are located.
- Sales and marketing for invasive blood monitoring and intravenous starter packs is based in Australia where a range of public and private hospitals are serviced

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

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

### MyHealthTest (“MHT”)

ITL acquired MHT in December 2015 with the goal of creating/developing a disruptive platform for the direct to consumer personalised medicine industry and is still in its early life cycle stage.

MHT has developed a disruptive business model and built an innovative platform for driving and leveraging the direct to consumer healthcare revolution. It empowers consumers to improve their own health and wellness and is a highly innovative first mover with a depth of institutionalised collaborations.

The first tests developed have been for chronic diseases including for diabetes, prostate, thyroid and cardiac conditions. MHT, in collaboration with esteemed University researchers and with government grant assistance, has a development pipeline of 30 plus new tests including hormones, vitamins and metals.

## Corporate Governance Statement

Our corporate governance statement for the period can be found at <https://www.itlhealthgroup.com/corporate-governance/>. The Corporate Governance statement is accurate and up to date as of 22 August 2018 and has been approved by the Board.

## Directors' Report

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2018.

### Directors

The names of directors in office at any time during or since the end of the year are:

*Executive director:*

Mr William Mobbs Executive Chairman

*Non-executive directors:*

Mr Andrew Turnbull

Mr Mark Peatey

### Principal Activities

The principal activities of ITL during the financial year were:

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

ITL, in line with its strategic plan to focus on innovation and growth in the global blood industry, completed the divestment of its Australian custom procedure pack business (appx. \$12m pa revenue) on 2 October 2017 for \$14.7m. ITL retained products from the divested business including invasive blood pressure monitoring kits, intravenous bloodstream infection prevention kits and various sponsored products. There were no other significant changes in the nature of the Group's principal activities during the year.

### Dividends Paid or Recommended

The Board has not declared a dividend for the year ended 30 June 2018.

### Review and Results of Operations

Profit after tax for the Consolidated Group for the year ended 30 June 2018 was \$3,022k, which was \$407k below the prior year 2016/17 profit of \$3,429k.

During the year ITL completed the strategic divestment of the Australian Custom Procedure Pack business retaining key product groups focused within the blood industry and which have now been included in BioMed segment to reflect a segment focused on medical devices serving the global blood markets in addition to the MHT segment

Loss after tax from the Continuing Operations of BioMedical and MyHealthTest for the year ended 30 June 2018 was \$(6,144k) (2017: \$3,276k profit). Restructure costs \$0.06m, write off of assets \$1.15m and; impairment of start-up goodwill, development and fixed assets costs in MyHealthTest \$5.66m have been expensed following the strategic divestment of the custom procedure pack business and following annual assessment of carrying values of assets in MyHealthTest.

The profit after tax from the Discontinued Operation was \$0.42m (2017: \$0.15m). This included writeback of provisions for stock and make good of \$0.40m. The underlying profit from operations was \$0.02m.

The profit on the sale of the Custom Procedure Pack business after tax was \$8.7m. Profit before tax was \$9.9m including costs to sell the business.



## Directors' Report

Earnings per share for the year ended 30 June 2018 was 3.34 cents compared with the prior year outcome of 3.58 cents per share.

Income tax (benefit)/expense was \$(616k) - (2017: \$124k). This includes a \$1.2m tax expense on the divestment of the HCA business.

Profit before tax for the Group was \$2,406k (2017: \$3,553k).

Consolidated revenue was \$24,309k a decrease of 30% compared with the prior year of \$34,774k. This reduction reflects primarily the divestment of the custom procedure pack business on 2 October 2017.

Revenue from continuing operations was \$21,362k (2017: \$22,554k). Revenue from the retained products from the ITL Healthcare Pty Ltd business unit, now incorporated in the BioMedical segment, increased \$940k. Revenues from the traditional BioMedical products were down (\$2,148k) due to a sell down of SSK stocks by a customer and a transition gap to new products.

Group gross profit decreased \$3.7m (24%) due to the sales decrease from divestment but increased as a percentage of sales by 4% due to the strategic decision to exit the lower margin custom procedure pack business as well as continuation of business improvement programs.

Other Income for the consolidated Group increased from \$216k to \$446k. \$392k of grant income was taken to the P&L during the year in MyHealthTest primarily due to a collaborative research grant awarded in June 2017. Other income in the continuing operation includes \$149k of head office costs charged to the discontinued operation (2017: \$607k) but eliminated at consolidated level

Group Operating Cashflow for the year ended 30 June 2018 was \$(862k) (2017: \$5,350k inflow). This reflected primarily the decrease in the operating results for the period and included \$0.64m of payments by customers into the divested business bank account before year end but remitted to ITL in July.

Capital expenditure of \$3,610k (2017: \$2,473k) primarily related to ITL Biomedical's Malaysian manufacturing facility and product and systems development in MyHealthTest.

The net debt position was \$432k at 30 June 2018 (2017: \$2,594k). The Group's gearing, measured as net debt as a percentage of net debt plus equity, was 3% (2017: 13%).

## Directors' Report

### Strategy and Outlook

During 2018 ITL divested its non-core custom pack business and has delivered returns direct to shareholders through a share buy-back scheme from the proceeds, as well as continued to invest in the operational businesses.

Following the divestment ITL has rationalised into two distinct divisions – the BioMedical division which manufactures and sells medical apparatus and devices into blood markets globally and MyHealthTest developing direct to consumer pathology testing solutions.

ITL has increased marketing expenditure during the year to promote the businesses and; is investing in new manufacturing technologies to improve quality and automate processes and; is investing in research and development costs to drive new product growth. ITL is now positioned as a purely blood focused company which will result in a simplified and more focused business.

During 2019 ITL will:

- Drive new sales of recently developed and released products through streamlined, focused organisation structure,
- Develop, launch and drive sales of new tests in MyHealthTest and
- Continue to improve the cost base following the divestment of the operating room pack business through efficiency improvements and strategic procurement

### Significant Changes in State of Affairs

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

At the Annual General Meeting of the company held on 30 November 2017, it was resolved that ITL Health Group Limited authorise and approve the buyback of up to 20% of the issued ordinary shares through an on-market buy-back.

From the divestment funds 12,232,543 shares have been bought back under an on-market buyback program for \$5.5m as a return of capital to shareholders in the period to 30 June 2018 resulting in 85,552,340 shares on issue.

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

At 30 June 2018 restructure costs \$0.06m, write offs of assets \$1.15m and; impairment of start-up goodwill and development costs in MyHealthTest \$5.66m have been expensed following the strategic divestment of the operating pack business and as a matter of financial prudence in MyHealthTest.

## Directors' Report

### Events After Balance Sheet Date

On 15 August 2018 the Group opened new bank debt facilities of \$0.6m for asset financing subject to term loan repayment conditions.

At the close of 30 August 2018 nil ordinary shares have been bought back since 30 June 2018. Issued capital at the close of business on 30 August 2018 is 85,552,340 ordinary shares.

There has not been any other matter or circumstance in the interval between the end of the year and the date of this report that has materially affected or may materially affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

### Future Developments, Prospects and Business Strategies

The ITL Health Group has two business units which operate in different geographic regions with different product groupings to take advantage of these markets. Each business unit has been working on a pipeline of opportunities which are expected to lead to growth in the future and to reduce the key risks identified from price erosion, maturing products and lack of customer acceptance in new products. ITL believes that it has the infrastructure and resources to support this growth.

### Quality and Environment

ITL's quality management systems for its Malaysian manufacturing facilities are certified to EN ISO 13485:2012. In addition the Group's Malaysian manufacturing facility is certified to the Environmental Management System ISO 14001:2015 whilst MyHealthTest is accredited to ISO 15189 – Medical Testing. The Consolidated Group is subject to the environmental laws of the countries in which they operate.

The management of environmental risks and compliance with environmental laws is regarded as a key issue. The company monitors compliance with existing and new environmental regulations as they come into force.

The directors are not aware of any significant breaches of environmental regulations during the financial year.

## Directors' Report

### Information on Directors

<b>William Mobbs</b>	- Executive Chairman (appointed as Director 18 August 2010 and as Executive Chairman 12 October 2010)
Qualifications	- MBA, BSc, FAICD
Experience and Directorships held in other listed entities	- Mr Mobbs is a founder of the ITL Group and brings over 24 years' experience in the medical and healthcare industry. Mr Mobbs has invented many new concepts for a range of innovative medical products and holds many patents.  He is currently a director of Targeted Genomics Pty Ltd and not-for-profits Hospital Intellectual Property Group Limited and Hospital Intellectual Property NSW Limited.  Mr. Mobbs is a former direct and chairman of various private and public technology and healthcare companies, as well as a former industry representative to the Therapeutic Goods Administration.
Interest in Shares and Performance Rights	- Shares: 33,679,655 (as at 21/8/2018) Performance Rights: 677,966 (as at 21/8/2018)
Special Responsibilities	- Executive Chairman

<b>Andrew Turnbull</b>	- Non-Executive Director (appointed 31 December 2013)
Qualifications	Bachelor of Arts (Accounting); CA; CFP
Experience and Directorships held in other listed entities	- Andrew Turnbull is an entrepreneur with extensive experience in establishing and expanding businesses. Andrew is currently a non-executive director on a number of private companies and community boards.  Mr. Turnbull has previously been a director of various private companies including Managing Partner of PwC Canberra office.
Interest in Shares and Performance Rights	- Shares: 2,123,786 (as at 21/8/2018) Performance Rights: 122,034 (as at 21/8/2018)
Special Responsibilities	- Chairman of Audit and Risk Management Committee

## Directors' Report

<b>Mark Peatey</b>	-	Non-Executive Director (appointed 1 October 2014)
Qualifications		Bachelor of Economics; CA
Experience and Directorships held in other listed entities	-	Mark Peatey has an extensive career in private business and corporate advisory services. Currently Mark is the Managing partner of P <sup>2</sup> Advisory.  Mr Peatey is a corporate governance specialist and is a director of a number of large private and public businesses encompassing engineering, property development, manufacturing and real estate services.  Mr Peatey has extensive experience in chartered accounting and commerce including EY, Maxim Chartered Accountants and IBM.. Mark also acted as company secretary for the Telstra 3 float company.
Interest in Shares and Performance Rights	-	Shares: 1,402,233 (as at 21/8/2018) Performance Rights: 122,034 (as at 21/8/2018)
Special Responsibilities	-	Member of Audit and Risk Management Committee

### Company Secretary

The Company Secretary at the end of the financial year is Mr. Trevor Doolan. Trevor was appointed as Company Secretary on 19 June 2012. Trevor joined ITL in November 2010 and has been an accountant for over 30 years. He is a member of CPA Australia and holds a Certificate in Governance Practice.

### Directors' Meetings

During the financial year 10 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit & Risk Management Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
W Mobbs	10	10	-	-
A Turnbull	10	10	3	3
M Peatey	10	9	3	3

## Directors' Report

### Remuneration Report (audited)

This remuneration report for the year ended 30 June 2018 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, Key Management Personnel includes the Executive Chairman (CEO & chairman of the Board), non-executive directors, senior executives, division chief operating officers and general managers, and the company secretary of the Parent and the Group.

### Key Management Personnel

Details of key management personnel are set out below.

#### Directors

William Mobbs	Executive Chairman
Andrew Turnbull	Director (non executive)
Mark Peatey	Director (non executive)

#### Executives

Narinder Kanda	Vice President Procurement & Strategic Relationships
Craig Wilson	Chief Operating Officer ITL BioMedical
Nick Cerneaz	General Manager MyHealthTest
Stephanie Norrell	Vice President Sales & Marketing North America
Trevor Doolan	Chief Financial Officer & Company Secretary

There were no changes to Key Management Personnel after the reporting date and before the date the financial report was authorized for issue.

## Directors' Report

### Remuneration Policy

The remuneration policy of ITL Health Group Limited has been designed to align executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering short and long-term incentives based on key performance areas affecting the Consolidated Group's financial results. The board of ITL Health Group Limited believes the remuneration policy is appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Consolidated Group, as well as create goal congruence between the directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Consolidated Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board after seeking professional advice from independent external consultants.
- All executives receive a base remuneration (which is based on factors such as length of service and experience), superannuation (where applicable), fringe benefits (where stated), performance incentives and are eligible to participate in the Executive Share Plan.
- The board reviews executive packages annually by reference to the Consolidated Group's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on growth of profit. All bonuses and incentives are linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and share based payments. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre executives and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to directors and executives is valued at cost or fair value and expensed.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. It is currently \$400,000 per annum. Non-executive directors are paid a base fee annually and fees are not linked to the profit of the Consolidated Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

To ensure the Board is fully informed when making remuneration decisions, it seeks external remuneration advice as required. Reward & Recognition Consulting Pty Ltd was appointed as independent advisors and made recommendations on the remuneration of KMP in May 2016. This included market data on KMP remuneration and advice on market trends. Total consideration paid for all these services was \$3,500. The Board also engaged Crichton and Associates Pty Ltd in January 2016 for \$4,633 to review the current remuneration and short term incentives of the Executive Chairman. Crichton and Associates Pty Ltd were further engaged in December 2016 to independently review, recommend, design and implement an effective Long Term Incentive program for the Group. The cost of these services was \$23,810. The Board is satisfied that remuneration recommendations were free from undue influence by any members of the KMP to whom the recommendations related based on the independence of the appointed remuneration consultants. Further, the consultants make a declaration to the Board that they operated independently of any ITL KMP and at no time received any advice or direction about the content and structure of their report.

## Directors' Report

### Performance Based Remuneration

As part of each executive's remuneration package there is a performance based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between executives with that of the shareholders. The KPIs are set annually, with consultation with executives to ensure buy-in. The measures are specifically tailored to the areas each executive is involved in and has a level of control over. The KPIs target future growth and profitability of the Group, covering financial and non-financial as well as short and long-term goals.

Performance in relation to the KPIs is assessed annually by the Board to determine if any executives have qualified for bonuses, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the board in the light of the desired and actual outcomes, and their efficiency is assured in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, ITL bases the assessment on audited figures. In certain exceptional circumstances, the Board may take account of other factors impacting on the year's results as well as the extent to which other business objectives have been achieved.

Final bonuses in respect of any year are paid early in the next year following the finalisation of the audited accounts. Bonuses are ultimately dependent on performance of the Consolidated Group and are at the discretion of the Board. Where the performance conditions are not met the minimum amount of bonuses may be nil. Bonuses are fully vested in the financial year they pertain to.

During 2016/17 the Board introduced a return on equity long term incentive ("LTI") plan linking long term executive reward with creation of shareholder value measured by Total Shareholder Return by achieving Compound Annual Growth Rates in the share price over the performance period. The Board has further determined that performance rights will be granted under the LTI as they are most aligned with prevailing Australian market practice and with increasing shareholder value. Each performance right is a right to acquire one ordinary share when the performance and service conditions are met. All KMP's participated in the plan.

For the year ended 30 June 2018, a short-term performance based bonus was awarded to some key management personnel. This was awarded for meeting and exceeding the Custom Pack business divestment strategy targets. Performance rights were also issued to some key management personnel under the long term incentive plan with vesting subject to performance and service conditions being met. Performance rights related to achieving the performance conditions to 30 June 2017 were exercised and vested during the period.

### Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The following table shows the gross revenue, profit, share price and dividends for the prior four years for the listed entity.

	2014	2015	2016	2017	2018
<b>Revenue</b>	\$25.9m	\$28.3m	\$31.1m	\$34.8m	\$24.3m
<b>Profit/(loss) after Tax</b>	\$2.0m	\$2.1m	\$0.3m	\$3.4m	\$3.0m
<b>Profit/(loss) before Tax</b>	\$2.1m	\$1.6m	\$0.3m	\$3.6m	\$2.4m
<b>Share Price at year-end</b>	\$0.21	\$0.20	\$0.165	\$0.520	\$0.19
<b>Dividends Paid (per share)</b>	\$0.0125	\$0.010	Nil	Nil	Nil



## Directors' Report

### Executive Share Plan

The Executive Share Plan ("ESP") was re-approved at the 30 November 2017 Annual General Meeting for the three year period to 29 November 2020. Under the ESP, and following approvals obtained at the 30 November 2017 Annual General Meeting, shares may be issued to Executives and Directors in lieu of part or all of their annual remuneration including bonuses. The issue price is determined as the lesser of the volume weighted average of ITL prices during the 12 month period preceding the issue date and the current market price. The Board has discretion on whether to invite participation, from time to time, in the plan and in accordance with the rules of the plan. A KMP can elect to participate or otherwise. Restrictions, and any other conditions if they apply, may be imposed at the Board's discretion. The ESP is a plan to enable employees to purchase shares under the plan rules so is not contingent on performance conditions.

There were nil shares issued during the year for payment of 2017/18 fees. There were 1,856,569 shares issued during the year ended 30 June 2017 for payment of short term incentives, or for performance rights that were exercised, that were accrued at 30 June 2017. A short term incentive for meeting and exceeding the Custom Pack business divestment strategy targets was settled with 240,964 shares from Treasury shares.

934,535 shares were issued on 4 October 2017 at the closing price on 29 September 2017 of \$0.395 cents per share and under the terms and conditions of the ESP to satisfy the short terms incentives, and 922,034 shares on the 1/8/2017 to satisfy the performance rights that vested and were exercised at an exercise price of nil.

Total expenses arising from share based payments recognised during the period as part of KMP Salaries and Employee Benefits Expense were as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Shares issued under ESP</b>	100,000	81,300
<b>Performance rights granted</b>	408,996	306,781
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	508,996	388,081

## Directors' Report

### Key Management Personnel Remuneration

The remuneration for each director and the key management personnel of the consolidated and parent entities considered key to the operations during the year are listed in the table below:

2018	Short Term Benefits			Post	Long Term	Share Based Payments		Total	Perf. Related
	\$	Cash Salaries & fees	Cash Bonus	Employment	Benefits	Bonus	LTI Performance Rights (a)		
			Non Monetary Benefits	Superannuation	Long Service Leave				%
<b>Non-Executive Directors</b>									
A Turnbull	84,000	-	-	-	-	-	24,214	108,214	22.4
M Peatey	84,000	-	-	-	-	-	24,214	108,214	22.4
<b>Total</b>	<b>168,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,428</b>	<b>216,428</b>	<b>22.4</b>
<b>Executive Director</b>									
W Mobbs	131,792	-	-	7,752	402	-	-	139,946	-
<b>Total</b>	<b>131,792</b>	<b>-</b>	<b>-</b>	<b>7,752</b>	<b>402</b>	<b>-</b>	<b>-</b>	<b>139,946</b>	<b>-</b>
<b>Other KMP</b>									
W Mobbs	293,208	-	-	17,248	895	-	134,523	445,874	30.2
S Norrell #	311,021	-	12,390	9,331	-	-	48,023	380,765	12.6
N Kanda	240,082	-	-	22,808	4,987	50,000	48,023	365,900	26.8
C Wilson	265,219	-	-	3,342	137	-	48,023	316,721	15.2
N Cerneaz	204,094	-	-	19,389	743	-	42,261	266,487	15.9
T Doolan	210,046	-	-	19,954	10,593	50,000	39,715	330,308	27.2
<b>Total Other KMP</b>	<b>1,523,670</b>	<b>-</b>	<b>12,390</b>	<b>92,072</b>	<b>17,355</b>	<b>100,000</b>	<b>360,568</b>	<b>2,106,055</b>	<b>21.9</b>
<b>Total</b>	<b>1,823,462</b>	<b>-</b>	<b>12,390</b>	<b>99,824</b>	<b>17,757</b>	<b>100,000</b>	<b>408,996</b>	<b>2,462,429</b>	<b>20.7</b>

(a) LTI Performance Rights represents the fair value of the award amortised over the vesting period of the grant - see Note 32

# This is the Australian dollar equivalent of payments in foreign currencies based on the average exchange rate for the year.

W Mobbs' remuneration is split between his duties of Chairman of the Board and Chief Executive Officer as defined in his contract of employment.

## Directors' Report

2017	Short Term Benefits							Total	Perf. Related %
	Cash Salaries & fees	Cash Bonus	Non Monetary Benefits	Post Employment Superannuation	Long Term Benefits Long Service Leave	Share Based Payments Salary & Fees	LTI Performance Rights (a)		
\$									
<b>Non-Executive Directors</b>									
A Turnbull	84,000	-	-	-	-	-	30,716	114,716	26.8
M Peatey	12,000	-	-	-	-	72,000	30,716	114,716	26.8
<b>Total</b>	<b>96,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,000</b>	<b>61,432</b>	<b>229,432</b>	<b>26.8</b>
<b>Executive Director</b>									
W Mobbs	138,898	-	-	646	38	-	-	139,582	-
<b>Total</b>	<b>138,898</b>	<b>-</b>	<b>-</b>	<b>646</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>139,582</b>	<b>-</b>
<b>Other KMP</b>									
W Mobbs	309,020	100,000	-	1,437	83	-	170,643	581,183	46.6
S Norrell #	322,025	126,045	12,737	9,484	-	-	15,963	486,254	29.2
N Kanda	235,604	95,000	-	22,382	4,898	-	15,963	373,847	29.7
C Wilson	257,392	95,000	-	-	-	-	15,963	368,355	30.1
N Cerneaz	200,913	40,000	-	19,087	635	-	14,047	274,682	19.7
T Doolan	182,648	70,000	-	17,352	5,120	-	12,770	287,890	28.8
<b>Total Other KMP</b>	<b>1,507,602</b>	<b>526,045</b>	<b>12,737</b>	<b>69,742</b>	<b>10,736</b>	<b>-</b>	<b>245,349</b>	<b>2,372,211</b>	<b>34.0</b>
<b>Total</b>	<b>1,742,500</b>	<b>526,045</b>	<b>12,737</b>	<b>70,388</b>	<b>10,774</b>	<b>72,000</b>	<b>306,781</b>	<b>2,741,225</b>	<b>30.4</b>

(a) LTI Performance Rights represents the fair value of the award amortised over the vesting period of the grant - see Note 32

# This is the Australian dollar equivalent of payments in foreign currencies based on the average exchange rate for the year.

W Mobbs' remuneration is split between his duties of Chairman of the Board and Chief Executive Officer as defined in his contract of employment.

The Executive Share Plan ("ESP") was approved at the 31 October 2014 Annual General Meeting for the three year period to 30 October 2017. Under the ESP, and following approvals obtained at the 31 October 2014 Annual General Meeting, shares may be issued to Executives and Directors in lieu of part or all of their annual remuneration including bonuses. The issue price is determined as the lesser of the volume weighted average of ITL prices during the 12 month period preceding the issue date and the current market price. Details of the Salaries & Fees where the relevant KMP has elected to receive share based payments rather than cash are as follows:

	\$ Cash Foregone	Shares Issued	\$ Fair Value
<b>Salaries &amp; Fees</b>			
M Peatey	72,000	464,516	72,000
<b>Total Salaries &amp; Fees</b>	<b>72,000</b>	<b>464,516</b>	<b>72,000</b>

## Directors' Report

### Shareholdings of key management personnel (beneficial interest shown)

	Balance 1/7/2017	Received as Compensation	On exercise of rights	Net Change other*	Balance 30/6/2018
<b>Directors</b>					
William Mobbs	35,118,902	-	677,966	(2,117,213)	33,679,655
Andrew Turnbull	2,991,752	-	122,034	(990,000)	2,123,786
Mark Peatey	1,280,199	-	122,034	-	1,402,233
<b>Executives</b>					
Narinder Kanda	829,996	120,482	-	(9,494)	940,984
Craig Wilson	1,794,552	-	-	(285,920)	1,508,632
Stephanie Norrell	2,339,760	-	-	(250,000)	2,089,760
Nick Cerneaz	1,034,775	-	-	87,090	1,121,865
Trevor Doolan	57,511	120,482	-	176,976	354,969
<b>Total</b>	<b>45,447,447</b>	<b>240,964</b>	<b>922,034</b>	<b>(3,388,561)</b>	<b>43,221,884</b>

\* Net change other refers to shares purchased, transferred or sold during the financial year.

### Other transactions with KMP and their related parties

Transactions - other directors' interests		Amounts		Amounts	
		Sales \$'000	owed from \$'000	Purchases \$'000	owed to \$'000
	2018	-	-	330	-
	2017	-	-	-	-

Corporate and advisory services for divestment of ITL Healthcare Pty Ltd were provided by P<sup>2</sup> Advisory, a company of which Mr. Mark Peatey (non-executive director) is Managing Director. The agreement was for initial advisory services and a success fee based on enterprise value when the transaction was completed.

### Long Term Incentive Plan

Performance Rights awarded, vested and lapsed during the year to KMP's under the long term incentive plan is disclosed in the table below.

Performance rights do not carry any voting or dividend rights, and can only be exercised once the vesting conditions have been met subject to expiry conditions. The exercise price of the rights is nil. Exercise of the performance rights granted during the year are subject to performance conditions, and a continued employment service condition, as follows:

Performance Level*	% of award vesting
<10%	0% vesting
15%≥	100%
10% to <15%	50 to 100% pro rata

\* Compound Annual Growth Rate in share price from commencement share price measured against 90 day Volume Weighted Average Price up to vesting date.

## Directors' Report

	Balance at 1 July 2017	Rights granted during the year	Rights vested during the year	\$ Value of rights at grant date	Rights lapsed during the year	Balance at 30 June 2018	Fair Value per Right
William Mobbs*	677,966	-	677,966	200,000	-	-	\$0.1620
William Mobbs+	677,966	-	-	200,000	-	677,966	\$0.1775
William Mobbs-	677,966	-	-	200,000	-	677,966	\$0.1868
Andrew Turnbull*	122,034	-	122,034	36,000	-	-	\$0.1620
Andrew Turnbull+	122,034	-	-	36,000	-	122,034	\$0.1775
Andrew Turnbull-	122,034	-	-	36,000	-	122,034	\$0.1868
Mark Peatey*	122,034	-	122,034	36,000	-	-	\$0.1620
Mark Peatey+	122,034	-	-	36,000	-	122,034	\$0.1775
Mark Peatey-	122,034	-	-	36,000	-	122,034	\$0.1868
Narinder Kanda#	407,387	-	-	120,179	-	407,387	\$0.2275
Narinder Kanda^	-	191,250	-	76,500	-	191,250	\$0.2410
Craig Wilson#	407,387	-	-	120,179	-	407,387	\$0.2275
Craig Wilson^	-	191,250	-	76,500	-	191,250	\$0.2410
Stephanie Norrell#	407,387	-	-	120,179	-	407,387	\$0.2275
Stephanie Norrell^	-	191,250	-	76,500	-	191,250	\$0.2410
Nick Cerneaz#	358,501	-	-	105,758	-	358,501	\$0.2275
Nick Cerneaz^	-	168,300	-	67,320	-	168,300	\$0.2410
Trevor Doolan#	325,910	-	-	96,143	-	325,910	\$0.2275
Trevor Doolan^	-	172,500	-	69,000	-	172,500	\$0.2410

\* these rights met the performance and service conditions and were exercised

+ these rights were due to vest on 1/7/2018 but the performance conditions have not been met and the rights lapsed in August 2018.

- these rights may vest on 1/7/2019 subject to the performance conditions being met at the time.

# vesting date of these rights is 1/9/2019 subject to the performance conditions being met at the time

^ vesting date of these rights is 1/9/2020 subject to the performance conditions being met at the time

### Engagement Details of Directors and Senior Executives

Remuneration arrangements for KMP are formalized in engagement agreements. Details of these agreements are provided below.

William Mobbs, Executive Chairman of ITL Health Group Limited, is engaged under an ongoing contract entered into 1 June 2017. The remuneration package totals \$450,000 plus short term and long term incentives based on performance. Either party may terminate the contract by twelve months' notice.

Craig Wilson, Chief Operating Officer of ITL BioMedical, is engaged under an ongoing contract entered into 9 April 2018. The remuneration package totals \$300,000 plus short term and long term incentives based on performance. Either party may terminate the contract by six months' notice.

Narinder Kanda, Vice President Procurement & Strategic Relationships, is employed under an ongoing contract effective 1 July 2011. Total fixed remuneration package is \$262,888 p.a. plus incentives based on performance. The notice period is three months or in the case of a takeover six months.

Nick Cerneaz, General Manager My HealthTest Pty Ltd is employed under an ongoing contract effective 1 December 2015. The remuneration package totals \$224,180 and an annual bonus based on performance. Either part may terminate the contract by 3 months' notice.

Stephanie Norrell, Vice President Sales & Marketing North America, is employed under an ongoing contract effective 28 October 2011. The remuneration package totals US\$257,834 and an annual bonus based on performance. Either party may terminate the contract by six months' notice.

Trevor Doolan, Chief Financial Officer and Company Secretary, is employed under an ongoing employment agreement effective 8 November 2010. Total fixed remuneration package is \$230,000 p.a. plus incentives based on performance. The notice period is three months.

End of remuneration report.

## Directors' Report

### Indemnifying Directors and Officers

The company has entered into Deeds of Access and Indemnity with all Directors and Officers. The Group indemnifies each Director, maintains an insurance policy in favour of Directors and grants access to the records of the company.

The company has not given or issued any new indemnities during the year or since the end of the financial year.

The company has paid premiums to insure all of the Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the company or its subsidiaries, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was \$57,503 for all Directors and Officers.

### Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

### Proceedings on Behalf of Company

No person has applied for leave to bring proceedings in Court on behalf of the company or 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 any part of those proceedings.

### Non-Audit Services

The board of directors, in accordance with advice from the Audit and Risk Management Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that any services did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Non-audit services provided by Ernst Young Australia and its related entities during the year ended 30 June 2018 were undertaken for voluntary liquidation of Surgicare Pty Ltd services, and amounted to \$3,000.

### Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 for the year ended 30 June 2018 has been received and is reproduced immediately following the Directors' Report.

## Directors' Report

### **Rounding of Amounts**

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

This report is signed in accordance with a resolution of the Board of Directors.



William Mobbs  
Executive Chairman  
Dated this 31st day of August 2018

## Auditor's Independence Declaration



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

As lead auditor for the audit of ITL Health Group Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of ITL Health Group Limited during the financial year.

Ernst & Young

Ashley Butler  
Partner  
31 August 2018



## Consolidated Statement of Profit or Loss

for the year ended 30 June

	Note	2018 \$000's	2017 \$000's
<b>Continuing Operations</b>			
Revenue	2	21,362	22,554
Cost of Sales		(10,237)	(9,790)
Gross Profit		11,125	12,764
Other income	2	581	765
Salaries and employee benefits expense		(7,075)	(6,646)
Depreciation and amortisation expense	3	(574)	(317)
Finance costs	3	(264)	(278)
Occupancy expenses		(859)	(754)
R&D expenses – 3 <sup>rd</sup> party		(609)	(243)
Travel and accommodation		(615)	(393)
Audit, legal & insurance		(669)	(593)
Sales and marketing		(1,142)	(517)
Communications		(160)	(148)
Regulatory		(232)	(116)
Impairment of assets	13,15,16	(5,659)	-
Write off of assets	13,14,15	(1,151)	-
Restructure costs - redundancy		(59)	-
Investor relations		(128)	(70)
Strategic planning consulting		(91)	(14)
Other expenses from ordinary activities		(364)	(106)
Total Expenses		(19,651)	(10,195)
<b>(Loss)/Profit before income tax expense</b>		<b>(7,945)</b>	<b>3,334</b>
Income tax benefit/(expense)	4	1,801	(58)
<b>(Loss)/Profit for the Year from continuing operations</b>		<b>(6,144)</b>	<b>3,276</b>
<b>Discontinued Operations</b>			
Total Income	6	2,961	12,278
Total Expenses	6	(2,516)	(12,059)
<b>Profit before tax from discontinued operations</b>		<b>445</b>	<b>219</b>
Income tax (expense)	4	(21)	(66)
<b>Profit after tax from discontinued operations</b>		<b>424</b>	<b>153</b>
<b>Profit on sale of discontinued operation</b>		<b>9,906</b>	<b>-</b>
Income tax (expense)	4	(1,164)	-
<b>Profit after tax from sale of discontinued operation</b>	6	<b>8,742</b>	<b>-</b>
<b>Profit for the year from discontinued operation</b>		<b>9,166</b>	<b>153</b>

## Consolidated Statement of Profit or Loss

for the year ended 30 June

	Note	2018 \$000's	2017 \$000's
<b>Profit before Tax for the Group</b>		<b>2,406</b>	<b>3,553</b>
Income tax benefit/(expense)		616	(124)
<b>Profit for the year</b>		<b>3,022</b>	<b>3,429</b>
Profit attributable to members of the parent		3,022	3,429
<b>Earnings per Share</b>	<b>8</b>		
Basic profit per share (cents per share)		3.34 cents	3.58 cents
Diluted profit per share (cents per share)		3.17 cents	3.50 cents
<b>Earnings per Share for continuing operations</b>	<b>8</b>		
Basic profit per share (cents per share)		-6.79 cents	3.24 cents
Diluted profit per share (cents per share)		-6.79 cents	3.17 cents

The accompanying notes form part of these financial statements

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

## Consolidated Statement of Comprehensive Income

for the year ended 30 June

	Note	2018 \$000's	2017 \$000's
<b>Profit</b>		<u>3,022</u>	<u>3,429</u>
<b>Other Comprehensive Income</b>			
<b>Items that may be reclassified subsequently to Profit or Loss</b>			
Exchange differences on translating foreign operations		455	(482)
Income tax effect		<u>-</u>	<u>-</u>
<b>Other comprehensive income for the period, net of tax</b>		<u>455</u>	<u>(482)</u>
<b>Total comprehensive income attributable to members of the parent</b>		<u>3,477</u>	<u>2,947</u>

The accompanying notes form part of these financial statements

## Consolidated Balance Sheet

as at 30 June

	Note	2018 \$000's	2017 \$000's
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	3,832	2,690
Trade and other receivables	10	4,594	4,821
Inventories	11	4,710	6,186
Other current assets	12	627	555
<b>TOTAL CURRENT ASSETS</b>		<b>13,763</b>	<b>14,252</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	5,341	6,095
Product tooling	14	772	826
Intangible assets	15	433	4,698
Deferred tax assets	19	2,629	1,868
<b>TOTAL NON-CURRENT ASSETS</b>		<b>9,175</b>	<b>13,487</b>
<b>TOTAL ASSETS</b>		<b>22,938</b>	<b>27,739</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	2,532	3,538
Borrowings	18	3,994	2,727
Short-term provisions	20	556	848
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,082</b>	<b>7,113</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	18	270	2,557
Long-term provisions	20	37	398
Other liabilities	21	500	63
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>807</b>	<b>3,018</b>
<b>TOTAL LIABILITIES</b>		<b>7,889</b>	<b>10,131</b>
<b>NET ASSETS</b>		<b>15,049</b>	<b>17,608</b>
<b>EQUITY</b>			
Issued capital	22	26,854	31,957
Foreign currency translation reserve	23	(1,116)	(1,571)
Share Based Payment Reserve	23	746	307
Treasury Shares		(1,372)	-
Accumulated losses		(10,063)	(13,085)
<b>TOTAL EQUITY</b>		<b>15,049</b>	<b>17,608</b>

The accompanying notes form part of these financial statements

## Consolidated Statement of Changes in Equity

for the year ended 30 June

Note	Issued Capital \$000's	Treasury Shares \$000's	Foreign Currency Translation Reserve \$000's	Share Based Payment Reserve \$000's	Accum. Losses \$000's	Total \$000's
<b>Balance at 1 July 2017</b>	<b>31,957</b>	-	<b>(1,571)</b>	<b>307</b>	<b>(13,085)</b>	<b>17,608</b>
Profit for the period	-	-	-	-	3,022	3,022
Other comprehensive income	-	-	455	-	-	455
Total comprehensive income for the year	-	-	455	-	3,022	3,477
Transactions with owners in their capacity as owners:						
Shares issued	369	-	-	-	-	369
Purchase of shares	-	(1,472)	-	-	-	(1,472)
Share buyback	(5,472)	-	-	-	-	(5,472)
Share based payments	-	100	-	439	-	539
<b>Balance at 30 June 2018</b>	<b>26,854</b>	<b>(1,372)</b>	<b>(1,116)</b>	<b>746</b>	<b>(10,063)</b>	<b>15,049</b>
<b>Balance at 1 July 2016</b>	<b>31,869</b>	-	<b>(1,089)</b>	-	<b>(16,514)</b>	<b>14,266</b>
Profit for the period	-	-	-	-	3,429	3,429
Other comprehensive income	-	-	(482)	-	-	(482)
Total comprehensive income for the year	-	-	(482)	-	3,429	2,947
Transactions with owners in their capacity as owners:						
Share based payments	88	-	-	307	-	395
<b>Balance at 30 June 2017</b>	<b>31,957</b>	-	<b>(1,571)</b>	<b>307</b>	<b>(13,085)</b>	<b>17,608</b>

The accompanying notes form part of these financial statements

## Consolidated Statement of Cash Flows

for the year ended 30 June

	Note	2018 \$000's	2017 \$000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax from Continuing Operations		(7,945)	2,727
Profit before tax from Discontinued Operations		445	826
Non-cash items:			
Depreciation & amortisation		981	862
Net (gain)/loss on write off and impairment of assets		6,822	3
Unrealised loss/(gain) on foreign currency transactions		65	90
Share based payments	32	539	388
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:			
(Increase)/Decrease in trade and other receivables		(1,203)	217
(Increase)/Decrease in other current assets		(138)	106
(Increase)/Decrease in Inventories		(429)	265
(Decrease) in trade and other payables		(267)	(53)
Increase/(Decrease) in provisions and other liabilities		298	(79)
Income Tax (Paid)		(30)	(2)
Net cash flow (used in)/from operating activities		<u>(862)</u>	<u>5,350</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for product tooling	14	(322)	(291)
Payment for property, plant and equipment	13	(2,177)	(939)
Payment for intangible assets	15	(1,111)	(1,243)
Proceeds from the sale of property, plant and equipment		-	10
Proceeds from disposal of subsidiary, net of costs to dispose		13,865	-
Net cash flow from/(used in) investing activities		<u>10,255</u>	<u>(2,463)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		527	2,224
Repayments of Borrowings		(1,925)	(2,727)
Payment for Share buybacks	22	(5,472)	-
Payment for treasury shares		(1,472)	-
Net cash (used in) from financing activities		<u>(8,342)</u>	<u>(503)</u>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		1,051	2,384
Net foreign exchange differences		(10)	(53)
Cash at beginning of period	9	2,554	223
<b>CASH AT END OF PERIOD</b>	<b>9</b>	<u><u>3,595</u></u>	<u><u>2,554</u></u>

The accompanying notes form part of these financial statements

## Notes to the consolidated financial statements

These financial statements cover the consolidated entity consisting of ITL Health Group Limited and its subsidiaries (“Consolidated Group” or “Group”). ITL Health Group Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange. The financial statements are presented in Australian currency.

### Note 1: Statement of Significant Accounting Policies

#### Statement of Compliance

In accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, the financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*, and prepared for the purpose of presenting the consolidated entity as a for-profit entity.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets.

Material accounting policies adopted in the preparation of these financial statements are presented below. These have been consistently applied unless otherwise stated.

#### (a) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All inter-group balances and transactions between entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (a) Principles of Consolidation (continued)

##### Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets 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 as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

#### (b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available.



## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (b) Income Tax (continued)

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax rates and tax laws are based on applicable jurisdictions.

#### Tax Consolidation

ITL Health Group Limited and its wholly-owned Australian subsidiaries have formed an income tax Consolidated Group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

The Group has previously notified the Australian Taxation Office that it had formed an income tax Consolidated Group. The tax Consolidated Group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

#### (c) Segment Reporting

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is specifically focussed on the operating businesses. These are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services to different markets. The Group's reportable segments under AASB 8 *Operating Segments* are therefore as follows:

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (c) Segment Reporting (continued)

##### Continuing Operations:

##### ITL BioMedical (“BioMed”)

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

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

- Management and new product development is based in Australia and the United States;
- Manufacturing and tool making is based in Malaysia. Our manufacturing facility is TUV accredited; Quality Management System is EN ISO 13485:2012 certified and; the Environmental Management System is ISO 14001: 2015 certified. Products include FDA 510K and/or CE mark as necessary.
- Sales and marketing for the blood banking and blood culture testing products is based in North America where our largest customers and markets are located.
- Sales and marketing for invasive blood monitoring and intravenous starter packs is based in Australia where a range of public and private hospitals are serviced

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

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

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

##### MyHealthTest Pty Ltd (MHT)

MyHealthTest is a direct to consumer pathology service that helps people monitor and manage their health and wellbeing. The service is ordered online and a simple fingerprick blood sample is collected from the convenience of home. The sample is mailed back through the regular mail service, processed in MyHealthTest's NATA accredited laboratory and test results are delivered to the individual via a secure website.

The MyHealthTest Diabetes test service is used to both screen for diabetes risk and to monitor diabetes. Since its launch in late 2015 the test service has been recommended by Diabetes Australia and has been featured nationally in TV, radio and print media. Regulatory accreditations are being finalised now for our new tests for cholesterol, prostate and thyroid conditions with commercial launch to follow immediately, and development of additional tests in partnership with major universities is underway.

## Notes to the consolidated financial statements

### **Note 1: Statement of Significant Accounting Policies (continued)**

#### **(c) Segment Reporting (continued)**

##### **Corporate and other**

The corporate and other costs consist of the Board of Directors and head office costs but are not classified as a reportable segment under AASB 8.

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

##### **Discontinued Operations:**

##### **Healthcare Australia ("HCA")**

HCA is an Australian healthcare company that provides medical and surgical solutions to suit the individual needs of both public and private hospitals throughout Australia.

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

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

Information regarding the Group's reportable segments is presented in note 31.

#### **(d) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

#### **(e) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

##### **Land and Buildings**

Land and buildings are long-term finance leased assets from Malaysian authorities where at the time of initial recognition, the present value of all minimum lease payments amounted to substantially all of the fair value of the leased asset. As a result, land and buildings were recognised at their original cost upon initial recognition together with any accumulated depreciation and impairment losses in subsequent periods. In prior periods, the accounting policy for land and buildings was erroneously disclosed as being on the basis of fair value.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (e) Property, Plant and Equipment (continued)

##### Plant and equipment (including product tooling)

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount for these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Consolidated Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with that item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

##### Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, is depreciated on a straight line basis over their useful lives to the Consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold land (Malaysia only)	2.3%
Buildings	2.5%
Furniture & fittings	5-33.3%
Leasehold improvements	10%
Building Improvements	2.5%
Computer & office equipment	5-33.3%
Computer software	20-33.3%
Product development	5-10%
Product tooling	5-25%
Plant and equipment	5-37.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

##### Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Consolidated Group, are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Operating lease payments are recognised as an operating expense in the profit or loss on a straight line basis over the lease term.

#### (g) Financial Instruments

##### Initial recognition and measurement

Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset. Financial instruments include cash, receivables, payables and loans.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit and loss, in which case transaction costs are expensed to profit or loss immediately.

##### Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- a. The amount at which the financial asset or financial liability is measured at initial recognition;
- b. Less principal repayments;
- c. Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- d. Less any reduction for impairment.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the profit or loss.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (g) Financial Instruments (continued)

##### **Impairment**

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

##### **Financial Guarantees**

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

##### **Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

##### **Borrowings**

Borrowings are initially recognised at fair value and net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

#### (h) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (i) Intangible Assets

##### Goodwill on acquisition

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

##### Patents, Trademarks and Licenses

Patents and Trademark, including identifiable intellectual property acquired through business combinations, are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. They are amortised over the lesser of the period in which their benefits are expected to be realised or the residual life of the patent or trademark between 5 to 20 years.

##### Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Product development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Amortisation of the asset commences when the asset is available for use over the period of expected future value.

Product development has a finite life and is amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

##### Business Development Software

Business development software is measured on the cost basis. The carrying amount of business development software is reviewed annually by directors to ensure it is not in excess of the recoverable amount for these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

#### (j) Foreign Currency Transactions and Balances

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

	30-Jun-18	30-Jun-17
Spot rate		
AUD/MYR	2.9839	3.2979
AUD/USD	0.7403	0.7686
Average rate for the year ended 30 June		
AUD/MYR	3.1504	3.2266
AUD/USD	0.7748	0.7537

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (j) Foreign Currency Transactions and Balances (continued)

##### Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency, whilst the Malaysia entity is measured in Malaysian Ringgits and the U.S.A. entity in US dollars.

##### Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when the values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

##### Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

#### (k) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.



## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (k) Employee Benefits (continued)

##### Equity-settled compensation

The Group operates an equity-settled share-based payment employee share scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest except for those relating to market vesting conditions. Performance rights have also been granted during the period and have been valued using Monte Carlo valuation methodology. The number of rights expected to vest is to be reviewed and updated at the end of each accounting period.

#### (l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### (m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

#### (n) Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. Estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement are used when determining whether revenue can be reliably measured.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

#### (o) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

**(p) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are included in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

**(q) Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

**(r) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(s) Contributed equity**

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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

**(t) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

**(u) Earnings Per Share**

*(i) Basic earnings per share*

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

*(ii) 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (v) Critical Accounting Estimates and Judgements

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 estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

##### (i) Significant accounting judgements

###### *Recovery of deferred tax assets*

A deferred tax asset has been recognised for deductible temporary differences and carried forward tax losses related to qualifying R&D expenditure. Management considers that it is probable that future taxable profits will be available to utilise these temporary differences and carried forward tax losses. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

###### *Inventory valuation*

Inventories are measured at the lower of cost and net realisable value. In the situation where excess or obsolete inventory is identified, estimates for the net realizable values are made. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

##### (ii) Significant accounting estimates and assumptions

###### *Impairment of goodwill and intangibles with indefinite useful lives*

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least at each reporting date. This requires an estimation of the recoverable amount of the cash-generating units, using a value-in-use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated.

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

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. Impairment exists when the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less disposal costs and its value in use. Where an impairment trigger exists, the recoverable amount of the asset is determined.

#### (w) Fair value measurement

The Group measures financial instruments and certain non-financial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 30.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (w) Fair value measurement (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### (x) New and Revised Accounting Standards

The Consolidated Group has adopted the following new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current annual reporting period:

AASB 2016-1 Amendments to Australian Accounting Standards- Recognition of Deferred Tax Assets for Unrealised Losses.

AASB 2016-2 Amendments to Australian Accounting Standards- Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows amends disclosure requirements in relation to changes in liabilities arising from financing activities.

AASB 2017-2 Amendments to Australian Accounting Standards- Further Annual Improvements 2014-2016 Cycle.

## Notes to the consolidated financial statements

### Note 1: Statement of Significant Accounting Policies (continued)

#### (x) New and Revised Accounting Standards (continued)

##### *New standards and interpretations not yet adopted:*

The following standards, which will become mandatory for the Consolidated Group's 30 June 2019 or subsequent Financial Statements, have not been fully evaluated in terms of their impact on the financial statements:

AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets, expected-loss impairment recognition on expected credit losses and reformed approach to hedge accounting. It will become mandatory for the Consolidated Group's 30 June 2019 Financial Statements. The Consolidated Group is currently assessing the impact of the standard and the assessment is ongoing.

AASB 15 Revenue from Contracts with Customers provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures regarding revenue are also introduced. It will become mandatory for the Consolidated Group's 30 June 2019 Financial Statements. The group has undertaken an impact assessment on current operating contracts and does not expect the introduction of the standard to have any significant impact with final assessment to occur in 2019 and so the assessment is ongoing.

AASB 16 Leases requires Lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. Assets and liabilities arising from the lease are initially measured on a present value basis. AASB 16 also contains disclosure requirements. The new standard is effective from 1 January 2019 and the Consolidated Group has not yet fully determined the potential effect of the standard and is still assessing the possible impact.

AASB 2016-5 (Amendments) Classification and Measurement of Share-based Payment Transactions clarifies how to account for certain types on share-based payment transactions. The amendment is not effective until 1 January 2018 and the Consolidated Group has not yet determined the potential effect of the standard.

AASB (Interpretation) 22 Foreign Currency Transactions and Advance Consideration clarifies that the date of the transaction to use for spot exchange rate is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. The interpretation is not effective until 1 January 2018 and the Consolidated Group has not yet determined the potential effect of the standard.

AASB (Interpretation) 23 Uncertainty over Income Tax Treatments clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation is not effective until 1 January 2019 and the Consolidated Group has not yet determined the potential effect of the standard.

Conceptual Framework for Financial Reporting - the revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The interpretation is not effective until 1 January 2020 and the Consolidated Group has not yet determined the potential effect of the standard.

## Notes to the consolidated financial statements

### Note 2: Revenue and Other Income - Continuing Operations

	2018 \$000's	2017 \$000's
<b>Revenue</b>		
ITL BioMedical	21,335	22,543
MyHealthTest	27	11
Total Sales Revenue	<u>21,362</u>	<u>22,554</u>
<b>Other Income</b>		
Interest income	7	-
Grant Income	397	51
Other	177	714
Total Other Income	<u>581</u>	<u>765</u>

### Note 3: Expenses – Continuing Operations

Depreciation of non-current assets:		
Property, plant and equipment	518	446
Product tooling	128	97
Total depreciation	<u>646</u>	<u>543</u>
Amortisation of intangible assets	<u>312</u>	<u>163</u>
Total Depreciation and Amortisation	<u>958</u>	<u>706</u>
Less: Depreciation and Amortisation included in Cost of Sales	<u>(384)</u>	<u>(389)</u>
<b>Depreciation and amortisation expense</b>	<b><u>574</u></b>	<b><u>317</u></b>
Gross eligible R&D expenditure	3,233	1,950
Less R&D capitalised	<u>(664)</u>	<u>(1,069)</u>
R&D eligible expense	<u>2,569</u>	<u>881</u>
Finance costs	264	278
Legal fees	113	114
Audit, accounting and taxation services	248	279
Share-based payments expense	539	388
Post-employment benefits expense:		
Total post-employment benefits expenses	608	521
Expensed to cost of goods sold	<u>(146)</u>	<u>(168)</u>
<b>Post-employment benefits expense</b>	<b><u>462</u></b>	<b><u>353</u></b>
Rental expense on operating leases:		
- minimum lease payments	<b>270</b>	<b>578</b>

## Notes to the consolidated financial statements

### Note 4: Income Tax (Benefit)/Expense

	2018 \$000's	2017 \$000's
a. The components of tax (benefit)/expense comprise:		
Current tax	(1,084)	969
Deferred tax	1,711	(761)
(Under) provision in respect of prior years	(11)	(84)
	<u>(616)</u>	<u>124</u>
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Profit/(Loss) before income tax from continuing operations	(7,945)	3,334
Profit/(Loss) before income tax from discontinued operations	445	219
Profit/(Loss) before income tax from divestment	9,906	-
	<u>2,406</u>	<u>3,553</u>
Accounting Profit before income tax	2,406	3,553
Prima facie tax payable/(benefit) on profit before income tax at 30% (2017: 30%)	722	1,066
<b>Add:</b>		
Tax effect of:		
- other non-allowable items	1	-
- goodwill impairment	773	-
- share based payments	161	95
- non-deductible entertainment	1	3
	<u>1,658</u>	<u>1,164</u>
<b>Less:</b>		
Tax effect of:		
- foreign tax rate adjustment	11	63
- other non-allowable items	982	372
- divestment tax difference	1,808	-
- cash contributions to share trust	669	-
- Over/(under) provision for income tax in prior years	(11)	84
- Utilisation of previously unrecognised tax losses	-	587
	<u>(1,801)</u>	<u>58</u>
Income tax (benefit)/expense on continuing operations	(1,801)	58
Income tax on discontinued operation	21	66
Tax on divestment	1,164	-
	<u>(616)</u>	<u>124</u>
<i>The applicable weighted average effective tax rates are as follows:</i>	(25.6%)	3.5%

The Consolidated Group operates in a multi-jurisdictional tax environment which makes meaningful comparison of weighted average effective tax rates difficult.

There are no unused tax losses or unused R&D eligible expenditure for which no deferred tax asset has not been recognised. The Group considers that it is highly probable that the deferred tax assets will be utilised against future taxable income.

## Notes to the consolidated financial statements

**Note 5: Auditor's Remuneration:**

	<b>2018</b> <b>\$000's</b>	<b>2017</b> <b>\$000's</b>
Amounts received or due and receivable by Ernst & Young Australia for:		
An audit or review of the financial report of the entity and any other entity in the Consolidated Group	130	112
Other services in relation to the entity and any other entity in the Consolidated Group	3	-
Amounts received or due and receivable by related practices of Ernst & Young Australia for:		
An audit or review of the financial report of the entity and any other entity in the Consolidated Group	57	42
Other services in relation to the entity and any other entity in the Consolidated Group	-	-
	190	154



## Notes to the consolidated financial statements

### Note 6: Discontinued Operations

#### (a) Description

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

#### (b) Financial performance

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

	Note	30-Jun-18 \$'000s	30-Jun-17 \$'000s
Revenue		2,947	12,220
Cost of Sales		(1,968)	(9,132)
Gross Profit		979	3,088
Other Income		14	58
Expenses		(541)	(2,834)
Finance Costs		(7)	(93)
Profit before tax from discontinued operation		445	219
Income Tax expense		(21)	(66)
Profit after tax from discontinued operation		424	153
Profit on Sale of the discontinued operation	6 (e)	8,742	-
Profit after tax of discontinued operation		9,166	153

The discontinued operations result for the period includes non-cash favourable adjustments for write back of stock and make good provisions of \$396k. The underlying operating profit is \$28k

## Notes to the consolidated financial statements

### Note 6: Discontinued Operations (continued)

#### (c) Carrying amounts of external assets and liabilities

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

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

#### (d) Cash Flow Analysis

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

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

## Notes to the consolidated financial statements

### Note 6: Discontinued Operations (continued)

#### (e) Total Consideration Received

##### Details of the sale of the division

	Note	2-Oct-2017 \$'000s
Cash consideration received		14,678
Less Net assets disposed	6 (c)	(4,237)
		<u>10,441</u>
Incremental costs of disposal		(535)
Profit before tax on sale of discontinued operation		<u>9,906</u>
Income tax expense		(1,164)
Profit after tax on sale of discontinued operation	6 (b)	<u>8,742</u>

##### Net cash inflow/(outflow) on disposal:

Consideration	14,678
Less consideration not yet received	(278)
Less costs of disposal	(535)
	<u>13,865</u>
Reflected in the consolidated statement of cash flows	<u>13,865</u>

## Notes to the consolidated financial statements

### Note 7: Dividends Paid and Proposed

	2018 \$000's	2017 \$000's
Declared and paid during the year:		
Dividends on ordinary shares:		
Interim dividend for 2018: nil cents per share (2017: nil cents per share)	-	-
Final dividend for 2017: nil cents per share (2016: nil cents per share partly franked)	-	-
<b>Dividends paid</b>	<b>-</b>	<b>-</b>
Declared after the year end:		
Final dividend for 2018: nil cents per share (2017: nil cents per share)	-	-
Balance of franking account at year end	-	-
Franking debits that will arise from the payments of dividends as at the end of the financial year	-	-
	-	-

### Note 8: Earnings Per Share

The following reflects the earnings per share data used in the calculation of basic and diluted earnings per share (EPS) computations.

	2018 \$000's	2017 \$000's
EPS is calculated based on:		
(Loss)/Profit from continuing operations	(6,144)	2,669
Profit from discontinued operations	9,166	760
Profit for the year	3,022	3,429
	<b>000's</b>	<b>000's</b>
Weighted average number of ordinary shares used in the calculation of basic EPS	90,475	95,845
Weighted average number of options outstanding	4,997	2,126
Weighted average number of ordinary shares used in the calculation of dilutive EPS	95,472	97,971
<b>Basic earnings per share (cents)</b>	<b>3.34</b>	<b>3.58</b>
<b>Dilutive earnings per share (cents)</b>	<b>3.17</b>	<b>3.50</b>
<b>Continuing Operations:</b>		
<b>Basic earnings per share (cents)</b>	<b>-6.79</b>	<b>3.24</b>
<b>Dilutive earnings per share (cents)</b>	<b>-6.79</b>	<b>3.17</b>

## Notes to the consolidated financial statements

### Note 9: Cash and Cash Equivalents

	2018 \$000's	2017 \$000's
Cash on hand	-	1
Cash at bank	3,832	2,689
<b>Total cash and cash equivalents</b>	<b>3,832</b>	<b>2,690</b>
Overdrafts	(237)	(136)
Cash and cash equivalents for cash flow statement	<b>3,595</b>	<b>2,554</b>

The effective interest rate on short-term bank deposits was 0.1% (2017: 0.1%); these deposits are at call.

### Note 10: Trade and Other Receivables

	2018 \$000's	2017 \$000's
<b>Current</b>		
Trade receivables	3,654	4,586
Allowance for impairment loss	(1)	(9)
Other receivables	930	243
Accrued revenue	11	1
	<b>4,594</b>	<b>4,821</b>

Other receivables include amounts owed by Merit Medical systems for cash collected during June from customers. This was paid to ITL in July.

### Provision for impairment of receivables

Current trade receivables are non-interest bearing and generally on 30 day terms. A provision for impairment is recognised when there is objective evidence that an individual receivable is impaired. Financial difficulties of the debtor, payment defaults or the commencement of debt recovery litigation have been considered to determine our impairment provision. These amounts have been included in the other expenses as an expense.

Movement in the provision for impairment of the receivable is as follows:

	2018 \$000's	2017 \$000's
Balance at 1 July	9	30
Amounts written off	(8)	(9)
Charge for the year	-	(12)
Balance at 30 June	<b>1</b>	<b>9</b>

It is expected that all amounts that are past due will be received in full where an impairment provision has not been made against the balance.

## Notes to the consolidated financial statements

### Note 11: Inventories

	<b>2018</b> <b>\$000's</b>	<b>2017</b> <b>\$000's</b>
<b>Current</b>		
Raw materials and stores (at lower of cost and net realisable value)	1,938	3,092
Work in progress (at cost)	465	216
Finished goods (at lower of cost and net realisable value)	2,307	2,878
	<u><b>4,710</b></u>	<u><b>6,186</b></u>

During 2018 \$93k (2017: \$143k) was recognised as an expense for inventories carried at net realisable value in continuing operations. This is recognised in cost of sales.

### Note 12: Other Current Assets

	<b>2018</b> <b>\$000's</b>	<b>2017</b> <b>\$000's</b>
Deposits to suppliers	217	58
Prepayments	410	497
	<u><b>627</b></u>	<u><b>555</b></u>

## Notes to the consolidated financial statements

### Note 13: Property, Plant and Equipment

	2018 \$000's	2017 \$000's
<b>Land and buildings</b>		
Land and buildings	1,251	1,132
Less: accumulated depreciation	(138)	(97)
Total land and buildings	<u>1,113</u>	<u>1,035</u>
<b>Total land and buildings</b>	<u>1,113</u>	<u>1,035</u>
<b>Plant and equipment</b>		
Furniture & fittings at cost	268	428
Less : accumulated depreciation and impairment	(122)	(251)
Total furniture & fittings	<u>146</u>	<u>177</u>
Computer & office equipment at cost	264	1,008
Less : accumulated depreciation and impairment	(151)	(708)
Total computer & office equipment	<u>113</u>	<u>300</u>
Plant & Equipment at Cost	3,169	7,189
Less : accumulated depreciation and impairment	(750)	(4,003)
Total Plant & Equipment	<u>2,419</u>	<u>3,186</u>
Leasehold improvements at cost	2,305	3,580
Less : accumulated depreciation and impairment	(755)	(2,183)
Total leasehold improvements	<u>1,550</u>	<u>1,397</u>
<b>Total plant and equipment</b>	<u>4,228</u>	<u>5,060</u>
<b>Total property, plant and equipment</b>	<u><u>5,341</u></u>	<u><u>6,095</u></u>

The carrying value of certain fixed assets in MyHealthTest have had an impairment adjustment to adjust the carrying value of these assets to independent estimates of the residual value of these assets at 30 June 2018.

Certain assets in the operating businesses have been written off as they are no longer in use and contributing an economic benefit to the Group.

## Notes to the consolidated financial statements

### Note 13: Property, Plant and Equipment (continued)

#### Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land and Buildings \$000's	Furniture and fittings \$000's	Computer and office equipment \$000's	Plant and Equipment \$000's	Leasehold improve- ments \$000's	Total \$000's
<b>Cost or Valuation</b>						
<b>At 30 June 2016</b>	<b>1,248</b>	<b>429</b>	<b>938</b>	<b>6,798</b>	<b>3,690</b>	<b>13,103</b>
Additions	-	24	102	774	39	939
Exchange Differences	(116)	(24)	(31)	(312)	(149)	(632)
Disposals	-	(1)	(1)	(71)	-	(73)
<b>At 30 June 2017</b>	<b>1,132</b>	<b>428</b>	<b>1,008</b>	<b>7,189</b>	<b>3,580</b>	<b>13,337</b>
Additions	-	136	153	1,223	665	2,177
Exchange Differences	119	17	18	260	156	570
Write off of assets	-	(197)	(739)	(2,569)	(216)	(3,721)
Divestment of HCA	-	(116)	(173)	(2,899)	(1,880)	(5,068)
Disposals	-	-	(3)	-	-	(3)
Transfer	-	-	-	(35)	-	(35)
<b>At 30 June 2018</b>	<b>1,251</b>	<b>268</b>	<b>264</b>	<b>3,169</b>	<b>2,305</b>	<b>7,257</b>
<b>Accumulated Amortisation</b>						
<b>At 30 June 2016</b>	<b>76</b>	<b>242</b>	<b>646</b>	<b>3,910</b>	<b>2,090</b>	<b>6,964</b>
Depreciation	28	19	74	377	100	598
Exchange Differences	(7)	(9)	(11)	(230)	(7)	(264)
Disposals	-	(1)	(1)	(54)	-	(56)
<b>At 30 June 2017</b>	<b>97</b>	<b>251</b>	<b>708</b>	<b>4,003</b>	<b>2,183</b>	<b>7,242</b>
Depreciation	29	26	93	314	65	527
Impairment	-	51	37	132	592	812
Exchange Differences	12	7	8	133	11	171
Write off of assets	-	(103)	(538)	(2,218)	(216)	(3,075)
Divestment of HCA	-	(110)	(156)	(1,579)	(1,880)	(3,725)
Disposals	-	-	(1)	-	-	(1)
Transfer	-	-	-	(35)	-	(35)
<b>At 30 June 2018</b>	<b>138</b>	<b>122</b>	<b>151</b>	<b>750</b>	<b>755</b>	<b>1,916</b>
<b>Net Book Value</b>						
30 June 2017	<b>1,035</b>	<b>177</b>	<b>300</b>	<b>3,186</b>	<b>1,397</b>	<b>6,095</b>
30 June 2018	<b>1,113</b>	<b>146</b>	<b>113</b>	<b>2,419</b>	<b>1,550</b>	<b>5,341</b>



## Notes to the consolidated financial statements

### Note 14: Product Tooling

	<b>2018</b>	<b>2017</b>
	<b>\$000's</b>	<b>\$000's</b>
Product tooling:		
At cost	1,159	1,514
Less : accumulated depreciation	(387)	(688)
Total product tooling	<u>772</u>	<u>826</u>

### Movements in carrying amounts

Movement in the carrying amounts for product tooling between the beginning and the end of the current financial year:

<b>Cost</b>	<b>\$000's</b>
<b>At 30 June 2016</b>	<b>1,343</b>
Additions	291
Exchange Differences	(114)
Disposals	(6)
<b>At 30 June 2017</b>	<b>1,514</b>
Additions	322
Exchange Differences	105
Write off of assets	(782)
Disposals	-
<b>At 30 June 2018</b>	<b>1,159</b>

### Accumulated Amortisation

<b>At 30 June 2016</b>	<b>643</b>
Amortisation	99
Exchange Differences	(52)
Disposals	(2)
<b>At 30 June 2017</b>	<b>688</b>
Amortisation	128
Exchange Differences	43
Write off of assets	(472)
Disposals	-
<b>At 30 June 2018</b>	<b>387</b>

### Net Book Value

30 June 2017	<u>826</u>
30 June 2018	<u>772</u>

## Notes to the consolidated financial statements

### Note 15: Intangible Assets

	<b>2018</b>	<b>2017</b>
	<b>\$000's</b>	<b>\$000's</b>
Business development software at cost	2,107	2,142
Less: accumulated amortisation and impairment	(1,976)	(1,195)
	<b>131</b>	<b>947</b>
Patents, trademarks and licenses at cost	454	1,934
Less: accumulated amortisation and impairment	(152)	(1,429)
	<b>302</b>	<b>505</b>
Product development at cost	-	764
Less: accumulated amortisation	-	(764)
	<b>-</b>	<b>-</b>
Development costs at cost	1,458	671
Less: accumulated amortisation and impairment	(1,458)	-
	<b>-</b>	<b>671</b>
Goodwill on acquisition of subsidiary	2,575	2,575
Less: accumulated amortisation and impairment	(2,575)	-
	<b>-</b>	<b>2,575</b>
	<b>433</b>	<b>4,698</b>

Intangible assets, other than goodwill, have a finite life. Patents, trademarks and licenses include identifiable intellectual property acquired through business combinations. The current charges for intangible assets are included under depreciation and amortisation expense in the statement of comprehensive income.

Certain assets in the operating businesses have been written off as they are no longer in use and contributing an economic benefit to the Group.

## Notes to the consolidated financial statements

### Note 15: Intangible Assets (continued)

#### Movements in carrying amounts

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial year:

	Product Developm ent \$000's	Business Developm ent software \$000's	Patents, trademark s and licenses \$000's	Developm ent costs \$000's	Goodwill on acquisitio n \$000's	Total \$000's
<b>Cost or Valuation</b>						
<b>At 30 June 2016</b>	<b>764</b>	<b>1,733</b>	<b>1,787</b>	-	<b>2,575</b>	<b>6,859</b>
Additions	-	422	150	671	-	1,243
Exchange Differences	-	(13)	-	-	-	(13)
Disposals	-	-	(3)	-	-	(3)
<b>At 30 June 2017</b>	<b>764</b>	<b>2,142</b>	<b>1,934</b>	<b>671</b>	<b>2,575</b>	<b>8,086</b>
Additions	-	191	133	787	-	1,111
Exchange Differences	-	8	-	-	-	8
Write off of assets	(764)	(196)	(1,613)	-	-	(2,573)
Divestment of HCA	-	(38)	-	-	-	(38)
Disposals	-	-	-	-	-	-
<b>At 30 June 2018</b>	<b>-</b>	<b>2,107</b>	<b>454</b>	<b>1,458</b>	<b>2,575</b>	<b>6,594</b>
<b>Accumulated Amortisation</b>						
<b>At 30 June 2016</b>	<b>764</b>	<b>1,096</b>	<b>1,375</b>	-	-	<b>3,235</b>
Amortisation	-	109	56	-	-	165
Exchange Differences	-	-	-	-	-	-
Disposals	-	(10)	(2)	-	-	(12)
<b>At 30 June 2017</b>	<b>764</b>	<b>1,195</b>	<b>1,429</b>	-	-	<b>3,388</b>
Amortisation	-	44	64	218	-	326
Exchange Differences	-	6	-	-	-	6
Impairment of start-up assets	-	945	86	1,240	2,575	4,846
Write off of assets	(764)	(176)	(1,427)	-	-	(2,367)
Divestment of HCA	-	(38)	-	-	-	(38)
Disposals	-	-	-	-	-	-
<b>At 30 June 2018</b>	<b>-</b>	<b>1,976</b>	<b>152</b>	<b>1,458</b>	<b>2,575</b>	<b>6,161</b>
<b>Net Book Value</b>						
30 June 2017	-	<b>947</b>	<b>505</b>	<b>671</b>	<b>2,575</b>	<b>4,698</b>
30 June 2018	-	<b>131</b>	<b>302</b>	-	-	<b>433</b>

## Notes to the consolidated financial statements

### Note 16: Goodwill

Goodwill, acquired through business combinations has been allocated to the MyHealthTest (MHT) CGU, which is also an operating segment, for impairment testing.

Carrying amount of Goodwill:

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill	-	2,575

The Group performed its annual impairment test in June 2018.

MyHealthTest is an IP & start-up R&D company in the early stage of its life cycle offering a “disruptive” technology to the market. As such, MHT has not yet generated substantial or material independent cash inflows, and as a disruptive technology commercial progress is slower than anticipated.

The Group conducted cash flow projections from current year actuals and budgets using various growth scenarios over a seven year period to account for the continuing development status of the business. Pre tax discount rates of between 7% (to reflect normal borrowing rate available to the Group) and 30% (to reflect the higher uncertainty in this type of business) were used in this analysis. Whilst the directors still believe that the business concept offers financial opportunities in the future, and whilst many non-financial milestones have been reached, commercial sales have not been achieved resulting in negative cash flows, and forecasting future cash flows in this type of business has been difficult. A compound growth rate of 5% using 25% pre-tax discount factor for the seven year period was applied which indicated an impairment exists. As a result, the directors believe that, after preparation and review of these various discounted cash flow models in order to review the recoverable amount of the MHT CGU, it is necessary to fully impair the carrying value of the start-up goodwill and development costs as at 30/6/2018.

### Note 17: Trade and Other Payables

	<b>2018</b>	<b>2017</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Current</b>		
<i>Unsecured liabilities</i>		
Trade payables	616	1,352
Sundry payables and accrued expenses	1,916	2,186
	<b>2,532</b>	<b>3,538</b>

## Notes to the consolidated financial statements

### Note 18: Borrowings

	2018 \$000's	2017 \$000's
<b>Current</b>		
<i>Secured liabilities</i>		
Bank overdraft	237	136
Bankers Acceptances	1,931	1,747
Bank loans	1,593	511
Non-bank finance	233	333
	<b>3,994</b>	<b>2,727</b>
<b>Non Current</b>		
<i>Secured liabilities</i>		
Bank loans	188	2,312
Non-bank finance	82	245
	<b>270</b>	<b>2,557</b>
Bank overdraft	237	136
Bankers acceptances	1,931	1,747
Bank loans	1,781	2,823
Non-bank finance	315	578
<b>Total Borrowings</b>	<b>4,264</b>	<b>5,284</b>
<b>The carrying amounts of assets pledged as security are:</b>		
First mortgage		
Land and buildings	1,113	1,035
Other assets pledged as security	21,825	26,704
Total assets pledged as security	<b>22,938</b>	<b>27,739</b>

ITL Asia Pacific Sdn Bhd has term loan, overdraft, bankers' acceptance, hire purchase and other finance facilities including one bank guarantees equivalent to \$80,431 (RM 240,000) provided to the local Malaysian power company. These facilities are secured by registered 1<sup>st</sup> to 3<sup>rd</sup> legal charges over the company's factory at Bemban in Malaysia, 1<sup>st</sup> to 9<sup>th</sup> debenture charges over both current and future fixed and floating assets of the company and parent entity corporate guarantees. \$1.3m of loans have been classified as current as at the time of reporting as the shareholder equity in the Malaysian entity was below the required level set by the bank covenant because of asset write offs in the Malaysia entity. Total loans subject to this requirement are \$3.5m

ITL Australia Pty Ltd has provided a bank guarantee to a third party for \$14,421.

MyHealthTest Pty Ltd has provided a bank guarantee to a third party for \$99,253.

## Notes to the consolidated financial statements

### Note 19: Tax Assets / (Liabilities)

	2018 \$000's	2017 \$000's	
<b>Current</b>			
Income tax receivable	-	-	
Income tax payable	-	-	
<b>Non-Current</b>	<b>Opening Balance \$000's</b>	<b>Charged to Income/Used \$000's</b>	<b>Closing Balance \$000's</b>
<b>Deferred Tax Asset</b>			
Property, Plant & Equipment	48	400	448
R&D eligible expenditure (refer Note 1 (v) (i))	1,336	(326)	1,010
Other	484	687	1,171
<b>Balance at 30 June 2018</b>	<b>1,868</b>	<b>761</b>	<b>2,629</b>
Property, Plant & Equipment	506	(458)	48
R&D eligible expenditure (refer Note 1 (v) (i))	811	525	1,336
Other	670	(186)	484
<b>Balance at 30 June 2017</b>	<b>1,987</b>	<b>(119)</b>	<b>1,868</b>

### Note 20: Provisions

	2018 \$000's	2017 \$000's
<b>Short-term</b>		
Employee benefits	556	848
	<b>556</b>	<b>848</b>
<b>Long-term</b>		
Employee benefits	37	92
Make good provision	-	306
	<b>37</b>	<b>398</b>

Movement in the make good provision is as follows: -

Balance at 1 July	306	343
Unwinding of provision	(308)	(46)
Discount rate adjustment	-	-
Increase in provisions	2	9
Balance at 30 June	-	<b>306</b>

### Provision for long-term employee benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

## Notes to the consolidated financial statements

### Note 21: Other liabilities

	2018 \$000's	2017 \$000's
<b>Long Term</b>		
Deferred grant income	500	63
	<b>500</b>	<b>63</b>

MyHealthTest Pty Ltd has received commercialisation grant funds of which a portion relates to purchase of plant and equipment. During the year MyHealthTest Pty Ltd also received collaborative research grant funds, subject to expenditure being related to the specific research program, of which a portion relates to purchases of plant and equipment. The amounts relating to the capitalised items are being held in liabilities and are to be amortised to profit over the life of the assets in accordance with AASB120.

### Note 22: Issued Capital

	2018 \$000's	2017 \$000's
<b>Ordinary shares</b>		
At beginning of reporting period	31,957	31,869
Share Buy back (i)	(5,453)	-
Transaction costs net of tax (ii)	(19)	-
Share based payments (iii)	369	88
	<b>26,854</b>	<b>31,957</b>
	<b>No.</b>	<b>No.</b>
	<b>000's</b>	<b>000's</b>
At beginning of reporting period	95,928	95,357
Share Buy back (i)	(12,233)	-
Share based payments (iii)	1,857	571
	<b>85,552</b>	<b>95,928</b>

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

	2018	2017
(i) Buy back average price	\$0.447	-
Buy back price range	\$0.400 - \$0.475	-
Total cost of buy back \$'000s	5,472	-

(ii) The transaction costs represent brokerage costs associated with the buy back.

(iii) The Executive Share Plan ("ESP") was re-approved at the 30 November 2017 Annual General Meeting for the three year period to 29 November 2020. Under the ESP, and following approvals obtained at the 23 November 2017 Annual General Meeting, shares may be issued to Executives and Directors in lieu of part or all of their annual remuneration including bonuses. The issue price is determined as the lesser of the volume weighted average of ITL prices during the 12 month period preceding the issue date and the current market price. The Board has discretion on whether to invite participation, from time to time, in the plan and in accordance with the rules of the plan. A KMP can elect to participate or otherwise. Restrictions, and any other conditions if they apply, may be imposed at the Board's discretion. The ESP is a plan to enable employees to purchase shares under the plan rules so is not contingent on performance conditions.

## Notes to the consolidated financial statements

### Note 22: Issued Capital (continued)

There were nil shares issued during the year for payment of 2017/18 fees. There were 1,856,569 shares issued during the year ended 30 June 2018 for payment of short term incentives, or for performance rights that were exercised, that were accrued at 30 June 2017. A short term incentive for meeting and exceeding the Custom Pack business divestment strategy targets was settled with 240,964 shares from Treasury shares.

934,535 shares were issued on 4 October 2017 at the closing price on 29 September 2017 of \$0.395 cents per share and under the terms and conditions of the ESP to satisfy the short terms incentives, and 922,034 shares on the 1/8/2017 to satisfy the performance rights that vested and were exercised at an exercise price of nil.

Details are as follows:

	<b>2018</b>
• 23/8/2016 - issue price	-
- fair value	-
• 4/10/2017 - issue price	\$0.395
- fair value	\$0.395

### b. Capital Management

Management control the capital of the Group in order to maintain a sound debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Certain Malaysian loans require minimum levels of shareholders equity which were not met at 30 June 2018 – refer to Note 18.

Management effectively manage the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Taking into account available funding, projected cash flows and capital requirements, the Board obtained shareholder approval for and implemented an on-market share buyback. The Board considers that this is an effective means of returning any surplus capital to shareholders and will enable the company to maintain an efficient capital structure.

The gearing ratios for the year ended 30 June are as follows:

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>\$000's</b>	<b>\$000's</b>
Total borrowings	18	4,264	5,284
Less cash and cash equivalents	9	(3,832)	(2,690)
Net debt		432	2,594
Total equity		15,049	17,608
Total Net Debt and Equity		15,481	20,202
Gearing ratio (Net Debt/Net Debt + Equity)		3%	13%



## Notes to the consolidated financial statements

<b>Note 23: Reserves</b>	<b>2018</b>	<b>2017</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>(a) Foreign Currency Translation Reserve</b>		
At beginning of year	(1,571)	(1,089)
Foreign Currency translation differences	455	(482)
	<u>(1,116)</u>	<u>(1,571)</u>
<b>(b) Share Based Payment Reserve</b>		
At beginning of year	307	-
Share Based Payment provision	439	307
	<u>746</u>	<u>307</u>

### Nature and purpose of reserves

#### (a) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

#### (b) Share Based Payment Reserve

The share based payment reserve records provisions following the issue of performance rights.

### Note 24: Capital and Leasing Commitments

	<b>2018</b>	<b>2017</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>(a) Property rent and lease commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than 1 year	297	758
- later than 1 year but not later than 5 years	454	532
- later than 5 years	-	-
	<u>751</u>	<u>1,290</u>

Property rent and lease commitments are non-cancellable and relate to office premises in Australia and USA.

#### (b) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable		
- not later than 1 year	4	12
- later than 1 year but not later than 5 years	14	22
- later than 5 years	-	-
	<u>18</u>	<u>34</u>

Operating lease relates to office equipment; the terms are due to run out within the next one to 4 years.

#### (c) Capital Commitments

Payable		
- not later than 1 year	588	214
- later than 1 year but not later than 5 years	-	-
- later than 5 years	-	-
	<u>588</u>	<u>214</u>

Capital commitments relate to plant & equipment in ITL Asia Pacific Sdn Bhd and MyHealthTest Pty Ltd

## Notes to the consolidated financial statements

### Note 25: Cash Flow Information

	2018 \$000's	2017 \$000's
<b>(a) Credit Standby Arrangements with Bank</b>		
Credit facility	888	1,304
Amount utilised	(237)	(136)
	651	1,168

The bank overdraft facility are arranged with a Malaysian bank with the general terms and conditions being set and agreed to annually. Interest rates are variable and subject to adjustment.

### (b) Term Loans

Loan facility	1,534	4,272
Amount utilised	(1,534)	(2,823)
	-	1,449

The bank loan facilities are arranged with a Malaysian bank with the general terms and conditions being set and agreed to annually. Interest rates are variable and subject to adjustment.

### (c) Bankers Acceptances

Credit facility	1,931	1,747
Amount utilised	(1,931)	(1,747)
	-	-

Bankers' Acceptance facilities arranged with a Malaysian bank and are subject to specific terms for use. Rates are variable and subject to adjustment.

### (c) HP

Credit facility	247	455
Amount utilised	(247)	(120)
	-	335

HP facilities arranged with a Malaysian bank are subject to specific terms of use for purchase of fixed assets.

### (e) Non-bank finance

Credit facility	315	458
Amount utilised	(315)	(458)
	-	-

The non-bank financing of the Group's insurance policies is arranged with a specialist insurance funding institution with general terms and conditions set and agreed annually. Rates are fixed. The Group also has arranged financing with a specialist IT financing institution for IT infrastructure projects. Rates are fixed.

## Notes to the consolidated financial statements

### Note 25: Cash Flow Information (continued)

#### Reconciliation of Liabilities arising from financing activities

	<b>2017</b>	<b>Cash flows</b>	<b>Non cash Foreign exchange movement</b>	<b>2018</b>
Credit Standby	136	87	14	237
Term Loans	2,823	(1,456)	167	1,534
Bankers Acceptance	1,747	-	184	1,931
HP	120	114	13	247
Non Bank Finance	458	(143)	-	315
	<b>5,284</b>	<b>(1,398)</b>	<b>378</b>	<b>4,264</b>

	<b>2016</b>	<b>Cash flows</b>	<b>Non cash Foreign exchange movement</b>	<b>2017</b>
Credit Standby	388	(216)	(36)	136
Term Loans	3,942	(936)	(183)	2,823
Bankers Acceptance	1,292	576	(121)	1,747
HP	94	35	(9)	120
Non Bank Finance	420	38	-	458
	<b>6,136</b>	<b>(503)</b>	<b>(349)</b>	<b>5,284</b>

## Notes to the consolidated financial statements

### Note 26: Contingent Liabilities and Contingent Assets

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

For information on bank guarantees given by ITL Health Group Limited and its controlled entities, refer to Note 18: Borrowings.

### Note 27: Controlled Entities

#### (a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)	Percentage Owned (%)
		2018	2017
<b>Ultimate Parent Entity</b>			
ITL Health Group Limited	Australia	-	-
<b>Subsidiaries of ITL Health Group Limited:</b>			
ITL Corporation Pty Limited	Australia	100%	100%
Noble House Group Pty Limited	Australia	100%	100%
ITL North America Inc	USA	100%	100%
ITL Asia Pacific Sdn Bhd	Malaysia	100%	100%
ITL Healthcare Pty Limited	Australia	-	100%
MyHealthTest Pty Ltd	Australia	100%	100%
ITL Australia Pty Ltd	Australia	100%	100%
ITL EIP Pty Ltd	Australia	100%	100%
Surgicare Pty Limited	Australia	100%	-
<b>Subsidiaries of ITL Healthcare Pty Limited:</b>			
Surgicare Pty Limited	Australia	-	100%

#### (b) Entities subject to class order relief

Following the divestment of ITL Healthcare Pty Ltd on 2 October 2017 ITL Healthcare Pty Ltd exited from the Deed of Cross Guarantee by entering into a Deed of Retirement. ITL Health Group Limited, ITL Corporation Pty Limited, Surgicare Pty Limited, Noble House Group Pty Limited and MyHealthTest Pty Ltd remain party to the deed. The effect of the deed is that ITL Health Group Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that ITL Health Group Limited is wound up or does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. At the reporting date each of the entities are below the threshold for requirements to prepare and lodge audited financial reports and are not reliant on Class Order 98/1418 for reporting relief.

## Notes to the consolidated financial statements

### Note 28: Related Party Transactions

Transactions with related parties are on terms equivalent to an arm's length transaction unless otherwise stated.

Transactions with related parties:

(i) **Ultimate Parent Company** – Nil

(ii) **Entities within wholly owned group** – Nil

(iii) **Directors**

		Amounts		Amounts	
		Sales	owed from	Purchases	owed to
		\$'000	\$'000	\$'000	\$'000
Transactions - other directors' interests					
	2018	-	-	330	-
	2017	-	-	-	-

Corporate and advisory services for divestment of ITL Healthcare Pty Ltd were provided by P<sup>2</sup> Advisory, a company of which Mr. Mark Peatey (non-executive director) is Managing Director. The agreement was for initial advisory services and a success fee based on enterprise value when the transaction was completed.

(iv) **Key Management Personnel**

The totals of remuneration paid to KMP of the Company and the Group during the year are:

	2018	2017
	\$000's	\$000's
Short term employee benefits	1,835,852	2,281,282
Post-employment benefits	99,824	70,388
Long term benefits	17,757	10,774
Share Based Payments - Shares	100,000	72,000
Options	408,996	306,781
<b>Total KMP Remuneration</b>	<b>2,462,429</b>	<b>2,741,225</b>

## Notes to the consolidated financial statements

### Note 29: Events After Balance Sheet Date

On 15/8/2018 the Group opened new bank debt facilities of \$0.6m for asset financing subject to term loan repayment conditions.

At the close of 30 August 2018 nil ordinary shares have been bought back since 30 June 2018. Issued capital at the close of business on 30 August 2018 is 85,552,340 ordinary shares.

There has not been any other matter or circumstance in the interval between the end of the year and the date of this report that has materially affected or may materially affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

### Note 30: Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, hire purchase agreements and leases.

#### Financial Risk Management Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group businesses whilst managing its interest rate, foreign exchange, liquidity and credit risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group policy is not to engage in speculative transactions.

#### Treasury Risk Management

Head office management review currency and interest rate exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

#### Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

#### (a) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2018 approximately 13% (2017: 11%) of the Group's debt of \$4,264k (2017: \$5,284k) was fixed rate. The Board reviews the mix of fixed and floating rate debt to ensure that a suitable balance is maintained commensurate with business needs.

	Average Effective Interest rate		Total Borrowings	
	2018	2017	2018 \$000's	2017 \$000's
Floating rate instruments	5.46%	5.22%	3,702	4,706
Fixed rate instruments	6.67%	7.07%	562	578
			<u>4,264</u>	<u>5,284</u>

## Notes to the consolidated financial statements

### Note 30: Financial Risk Management (continued)

#### (b) Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency. The Group is also exposed to foreign currency risks through holding financial assets and financial liabilities in foreign currencies in its subsidiaries. Fluctuations in exchange rates between the Australian dollar and US dollar, Malaysian Ringgit and the Euro may impact the Group's financial results. The Group manages its exposure to currency risk by borrowing in local currencies and selective hedging. Cash is receipted where possible in local currencies and used to settle debts arising from meeting working capital requirements in local currencies. All significant financial assets and financial liabilities are held in the functional currency of the operation holding the financial instrument.

#### (c) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to its financial liabilities. The Group manages this risk by:

- preparing cash flow forecasts;
- ensuring that adequate unutilised borrowing facilities are maintained;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- investing surplus cash only with major financial institutions.

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such the amounts may not reconcile to the balance sheet.

2018 \$'000	Interest Rate range	On demand	Due < 1 year	Due 1 – 2 years	Due 2 – 5 years	Due > 5 years	Total
<b>Bank overdraft</b>	8.40%	-	237	-	-	-	237
<b>Bankers Acceptances</b>	5.37%	-	1,931	-	-	-	1,931
<b>Bank loans</b>	5.00-8.65%	-	1,534	-	-	-	1,534
<b>Non-bank loans</b>	4.42-7.47%	-	309	4	2	-	315
<b>Hire purchase</b>	4.25%	-	240	2	5	-	247
<b>Trade and other payables</b>	-	-	2,532	-	-	-	2,532
<b>Bank guarantees</b>	-	194	-	-	-	-	194
<b>Interest expected</b>	-	-	231	77	120	16	444
<b>Total Financial Liabilities</b>		194	7014	83	127	16	7,434

2017 \$'000	Interest Rate range	On demand	Due < 1 year	Due 1 – 2 years	Due 2 – 5 years	Due > 5 years	Total
<b>Bank overdraft</b>	8.15%	-	136	-	-	-	136
<b>Bankers Acceptances</b>	4.82-5.16%	-	1,747	-	-	-	1,747
<b>Bank loans</b>	4.75-8.40%	-	494	505	1,288	536	2,823
<b>Non-bank loans</b>	3.67-7.47%	-	305	81	72	-	458
<b>Hire purchase</b>	4.25%	-	25	27	68	-	120
<b>Trade and other payables</b>	-	-	3,538	-	-	-	3,538
<b>Bank guarantees</b>	-	270	-	-	-	-	270
<b>Interest expected</b>	-	-	276	153	289	121	839
<b>Total Financial Liabilities</b>		270	6,521	766	1,717	657	9,931

## Notes to the consolidated financial statements

### Note 30: Financial Risk Management (continued)

#### (d) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter-parties of contract obligations that could lead to a financial loss to the Group. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The credit risk is limited to trade and other receivables, as reported in note 10, and bank balances, as reported in note 9, for the Group.

The major exposure to credit risk is customer receivables which are managed closely by each operating segment. There is no significant concentration with respect to particular customers and the allowance for impairment loss required at 30 June 2018 was less than 1% of debt. Credit risk from balances with banks is managed by Head Office and at 30 June 2018 98% of cash balances were held with Commonwealth Bank of Australia and 2% with Citibank.

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

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided thereon. Amounts are considered 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

Neither the Group nor the parent entity holds any trade or other receivables with terms that have been renegotiated, but which would have otherwise been past due or impaired.

	<b>2018</b>	<b>2017</b>
	<b>\$000's</b>	<b>\$000's</b>
Trade Receivables Ageing Analysis		
Current	2,242	3,291
1 to 30 days	906	1,046
31 to 60 days	165	211
61 to 90 days	262	18
91 to 120 days	52	3
Over 120 days	27	17
Provisions for impairment	(1)	(9)
	<b>3,653</b>	<b>4,577</b>
Balances that are past due but not impaired	1,411	1,286



## Notes to the consolidated financial statements

### Note 30: Financial Risk Management (continued)

#### (d) Credit risk (continued)

On a geographical basis the Group has credit risk exposures in Australia, United States and France arising from significant sales in each of the regions. The Group's exposure to credit risk in those regions at the reporting date is as follows (expressed in Australian dollar equivalents): -

	<b>2018</b>	<b>2017</b>
	<b>\$000's</b>	<b>\$000's</b>
Australia	1,436	2,653
USA	1,660	1,338
United Kingdom	44	31
France	361	440
Other	152	115
	<b>3,653</b>	<b>4,577</b>

#### Fair Values

The fair values of financial assets and financial liabilities are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.

The fair values of other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.

Management has assessed that fair values of cash and cash equivalents, trade and other receivables, trade and other payables, bank overdrafts and fixed rate loans approximate their carrying amounts largely due to the short term maturity of these instruments using Level 2 criteria referred to in Note 1 (w).

Aggregate fair values and carrying amounts of financial assets and liabilities at balance date:

	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Financial Assets</b>				
Cash and cash equivalents	3,832	3,832	2,690	2,690
Trade and other receivables	4,594	4,594	4,821	4,821
	<b>8,426</b>	<b>8,426</b>	<b>7,511</b>	<b>7,511</b>
<b>Financial Liabilities</b>				
Trade and other payables	2,532	2,532	3,538	3,538
Other loans and amounts due	4,264	4,264	5,284	5,284
	<b>6,796</b>	<b>6,796</b>	<b>8,822</b>	<b>8,822</b>

## Notes to the consolidated financial statements

### Note 30: Financial Risk Management (continued)

#### Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Price Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

#### *Interest Rate Sensitivity Analysis*

The Group is exposed to movements in interest rates as a result of its net debt positions at 30 June:

	<b>2018</b>	<b>2017</b>
	<b>\$000's</b>	<b>\$000's</b>
Total Floating Rate Borrowings	3,702	4,706
Less Cash and Cash Equivalents	(3,832)	(2,690)
Net (Cash)/Debt	<u>(130)</u>	<u>2,016</u>

For year ended 30 June, the effect on profit after tax and equity as a result of reasonably possible changes in the interest rate, with all other variables remaining constant would be as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$000's</b>	<b>\$000's</b>
<u>Change in profit after tax</u>		
Increase in interest rates by 1%	<b>1</b>	<b>(14)</b>
Decrease in interest rates by 1%	<b>(1)</b>	<b>14</b>
<u>Change in equity</u>		
Increase in interest rates by 1%	-	-
Decrease in interest rates by 1%	-	-

The above table demonstrates the sensitivity to a reasonably possible change in interest rates based on movements in interest rates experienced during the preceding 12 months.

#### *Foreign Currency Risk and Sensitivity Analysis*

The following table illustrates the Group's sensitivities to reasonable possible changes in exchange rates based on movements experienced in the preceding 12 months. The table indicates the impact on profit after tax and net assets of the Group reported at the reporting date that would have been affected by changes in exchange rates. It is assumed that the exchange rate movement is independent of other variables.

At 30 June 2018, the Group had the following material exposure to foreign currency that is not designated in cash flow hedges:

		<b>2018</b>	<b>2017</b>
		<b>000's</b>	<b>000's</b>
Trade & Other Receivables	USD	2,345	1,962
	MYR	129	120
Trade & Other Payables	USD	258	225
	EUR	128	264
	MYR	994	854

## Notes to the consolidated financial statements

### Note 30: Financial Risk Management (continued)

#### *Foreign Currency Risk and Sensitivity Analysis (continued)*

For year ended 30 June, the effect on profit and equity as a result of changes in the value of the Australian Dollar to foreign currencies, with all other variables remaining constant is as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$000's</b>	<b>\$000's</b>
<u>Change in profit after tax</u>		
Increase in AUD to USD by 5%	(210)	(251)
Increase in AUD to MYR by 5%	277	244
Increase in AUD to EUR by 5%	47	40
Decline in AUD to USD by 5%	210	251
Decline in AUD to MYR by 5%	(277)	(244)
Decline in AUD to EUR by 5%	(47)	(40)
<u>Change in equity</u>		
Increase in AUD to USD by 5%	(17)	(10)
Increase in AUD to MYR by 5%	(197)	(244)
Decline in AUD to USD by 5%	17	10
Decline in AUD to MYR by 5%	197	244

It should be noted that the above impacts are primarily as a result of exposure to Malaysian Ringgit expenses, exposure to U.S. dollar revenue net of expenses, exposure to EUR expenses and net assets of the Group's Malaysian and U.S. companies.

## Notes to the consolidated financial statements

### Note 31: Operating Segments

Management have determined the operating segments based upon reports reviewed by the Board and executive management that are used to make strategic decisions. Refer to note 1(c) for discussion on the composition of reportable segments.

The following table presents the revenue and profit information regarding business unit segments for the years ended 30 June 2018 and 30 June 2017.

#### Year ended 30 June 2018

	BioMed \$'000	MHT \$'000	Total Segments \$'000	Corporate & Other \$'000	Adjusts. and Elims. \$'000	Total \$'000
<b>Revenue</b>						
External customers	21,335	27	21,362	-	-	21,362
Inter segment	17	-	17	-	(17)	-
	<b>21,352</b>	<b>27</b>	<b>21,379</b>	<b>-</b>	<b>(17)</b>	<b>21,362</b>
Other revenue	28	-	28	149	-	177
Grant Income	6	391	397	-	-	397
Interest revenue	2	-	2	5	-	7
	<b>36</b>	<b>391</b>	<b>427</b>	<b>154</b>	<b>-</b>	<b>581</b>
<b>Total segment revenue</b>	<b>21,388</b>	<b>418</b>	<b>21,806</b>	<b>154</b>	<b>(17)</b>	<b>21,943</b>
<b>Result</b>						
Segment results *	1,948	(7,855)	(5,907)	(1,781)	-	(7,688)
<b>Earnings Before Interest and Tax *</b>	<b>1,948</b>	<b>(7,855)</b>	<b>(5,907)</b>	<b>(1,781)</b>	<b>-</b>	<b>(7,688)</b>
Interest revenue	2	-	2	5	-	7
Interest expense	(236)	-	(236)	(28)	-	(264)
Income tax expense	(1,103)	1,112	9	1792	-	1,801
<b>Total segment results continuing operations</b>	<b>611</b>	<b>(6,743)</b>	<b>(6,132)</b>	<b>(12)</b>	<b>-</b>	<b>(6,144)</b>

\* Includes Corporate recharges to each segment

## Notes to the consolidated financial statements

### Note 31: Operating Segments (continued)

Year ended 30 June 2017

	BioMed \$'000	HCA (disc. Operation) \$'000	MHT \$'000	Total Segments \$'000	Corporate & Other \$'000	Adjusts. and Elims. \$'000	Total \$'000
<b>Revenue</b>							
External customers	22,544	12,220	11	34,775	-	(12,221)	22,554
Inter segment	3,870	-	-	3,870	-	(3,870)	-
	<b>26,414</b>	<b>12,220</b>	<b>11</b>	<b>38,645</b>	<b>-</b>	<b>(16,091)</b>	<b>22,554</b>
Other revenue	107	58	-	165	607	(58)	714
Grant Income	-	-	51	51	-	-	51
Interest revenue	-	-	-	-	-	-	-
	<b>107</b>	<b>58</b>	<b>51</b>	<b>216</b>	<b>607</b>	<b>(58)</b>	<b>765</b>
<b>Total segment revenue</b>	<b>26,521</b>	<b>12,278</b>	<b>62</b>	<b>38,861</b>	<b>607</b>	<b>(16,149)</b>	<b>23,319</b>
<b>Result</b>							
Segment results *	5,680	312	(931)	5,061	(1,106)	(343)	3,612
<b>Earnings Before Interest and Tax *</b>	<b>5,680</b>	<b>312</b>	<b>(931)</b>	<b>5,061</b>	<b>(1,106)</b>	<b>(343)</b>	<b>3,612</b>
Interest revenue	-	-	-	-	-	-	-
Interest expense	(248)	(93)	-	(341)	(30)	93	(278)
Income tax benefit/(expense)	(1,870)	(66)	243	(1,693)	1,569	66	(58)
<b>Total segment results</b>	<b>3,562</b>	<b>153</b>	<b>(688)</b>	<b>3,027</b>	<b>433</b>	<b>(184)</b>	<b>3,276</b>

\* Includes Corporate recharges to each segment

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

## Notes to the consolidated financial statements

### Note 31: Operating Segments (continued)

#### Geographic Information

Revenues from External Customers	2018 \$000's	2017 \$000's
Australia	11,378	10,235
USA	5,740	5,495
United Kingdom	220	2,184
Puerto Rico	1,047	1,153
France	1,659	1,681
Other	1,318	1,806
<b>Total revenue per consolidated statement of profit or loss</b>	<b>21,362</b>	<b>22,554</b>

#### Non Current Operating Assets

Australia	1,363	4,014
Malaysia	5,313	5,010
USA	3	20
	<b>6,679</b>	<b>9,044</b>

#### Segment Information

##### Year ended 30 June 2018

	BioMed	MHT	Total Segments	Corporate & Other	Adjusts and Elims.	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Total Assets	18,237	2,584	20,821	11,750	(9,633)	22,938
Capital Expenditure	1,236	2,311	3,680	63	-	3,610
Depreciation & Amortisation	537	331	868	90	-	958
Asset write offs/impairments	1,132	5,659	6,791	19	-	6,810
Total Liabilities	9,226	7,513	16,739	777	(9,627)	7,889

##### Year ended 30 June 2017

	BioMed	HCA (disc. Operation)	MHT	Total Segments	Corporate & Other	Adjusts and Elims.	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Total Assets	17,087	8,465	4,695	30,247	3,697	(6,205)	27,739
Capital Expenditure	1,291	16	1,131	2,438	35	-	2,473
Depreciation & Amortisation	450	229	89	768	94	-	862
Total Liabilities	7,772	4,436	3,101	15,309	1,241	(6,419)	10,131

## Notes to the consolidated financial statements

### Note 31: Operating Segments (continued)

For the purposes of monitoring segment performance and allocating resources between segments, segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists.

The Group has a number of customers to which it provides its products and services with the top 5 customers accounting for 57% of total external revenue. The most significant customer accounts for 20% of total external revenue of ITL BioMedical.

#### Intersegment Transactions

Segment revenues, expenses and results include transactions between segments. The transfer prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Consolidated Group at an arm's length. These transactions are eliminated on consolidation.

### Note 32: Share-based Payments

#### (a) Executive Share Plan

The Executive Share Plan ("ESP") was re-approved at the 30 November 2017 Annual General Meeting for the three year period to 29 November 2020. Under the ESP, and following approvals obtained at the 23 November 2017 Annual General Meeting, shares may be issued to Executives and Directors in lieu of part or all of their annual remuneration including bonuses. The issue price is determined as the lesser of the volume weighted average of ITL prices during the 12 month period preceding the issue date and the current market price. The Board has discretion on whether to invite participation, from time to time, in the plan and in accordance with the rules of the plan. A KMP can elect to participate or otherwise. Restrictions, and any other conditions if they apply, may be imposed at the Board's discretion. The ESP is a plan to enable employees to purchase shares under the plan rules so is not contingent on performance conditions.

There were nil shares issued during the year for payment of 2017/18 fees. There were 1,856,569 shares issued during the year ended 30 June 2017 for payment of short term incentives, or for performance rights that were exercised, that were accrued at 30 June 2017. A short term incentive for meeting and exceeding the Custom Pack business divestment strategy targets was paid with 240,964 shares from Treasury shares.

934,535 shares were issued on 4 October 2017 at the closing price on 29 September 2017 of \$0.395 cents per share and under the terms and conditions of the ESP to satisfy the short terms incentives, and 922,034 shares on the 1/8/2017 to satisfy the performance rights that vested and were exercised at an exercise price of nil.

#### (b) Long Term Incentive

The Group has implemented a Long Term incentive plan for employees identified by the Board. The plan is based on the grant of performance rights that vest into shares on a one-to-one basis exercise price of nil per right subject to performance and service conditions.

The performance measures approved by the Board are linked to the creation of shareholder value measured by Total Shareholder Return by achieving Compound Annual Growth Rates in the share price over the performance period

## Notes to the consolidated financial statements

### Note 32: Share-based Payments (continued)

If the employee leaves during the period before the performance rights vest the rights may be forfeited with the Board having discretion to allow any granted rights to vest. Partial or full vestment may be considered on retrenchment, death and disability.

Offer	Performance period end date	Opening balance at start of year	Granted during the year	Vested during the year	Balance at end of the year	Value per entitlement
Jan 2017 LTI offer	1/9/2019	1,906,572	-	-	1,906,572	\$0.2275
Jan 2017 LTI offer (a)	1/7/2017	922,034	-	922,034	-	\$0.1620
Jan 2017 LTI offer (b)	1/7/2018	922,034	-	-	922,034	\$0.1775
Jan 2017 LTI offer (c)	1/7/2019	922,034	-	-	922,034	\$0.1868
Sept 2017 LTI Offer	1/9/2020	-	1,407,050	-	1,407,050	\$0.2470

There were 922,034 rights vested during the reporting period having met the performance and service conditions. No rights lapsed during the period..

Performance rights granted during the year were at grant date of 1/9/2017 when the market price on the day was \$0.40. The exercise price of the rights is nil. It is assumed there are no dividends paid during the period in line with recent periods. A volatility factor of 70% has been factored in based on analysis of share price data over an analysis period from 1/9/2014 to 1/9/2017 (being consistent to the period of vesting) and a discount rate of 2.0% based on market yields available from government bonds assumed. The valuation assumes nil staff turnover.

Rights will vest after the performance period based on following payments scale:

Performance Level*	% of award vesting
<10%	0% vesting
15%≥	100%
10% to <15%	50 to 100% pro rata

\* Compound Annual Growth Rate in share price from start price share price measured against 90 day Volume Weighted Average Price up to vesting date.

The expenses recognised during the period ending 30 June 2018 used Monte Carlo valuation methodologies.

Total expenses arising from share based payments recognised during the period as part of Salaries and Employee Benefits Expense were as follows:

	2018 \$000's	2017 \$000's
Shares issued under ESP	100	81
Performance rights granted	439	307
	<u>539</u>	<u>388</u>



## Notes to the consolidated financial statements

### Note 33: Parent Entity Information

<b>Financial Position</b>	<b>2018</b>	<b>2017</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Assets</b>		
Current Assets	2,898	1,304
Non Current Assets	21,906	18,094
Total Assets	<u>24,804</u>	<u>19,398</u>
<b>Liabilities</b>		
Current Liabilities	694	1,072
Non Current Liabilities	5,615	6,021
Total Liabilities	<u>6,309</u>	<u>7,093</u>
<b>Equity</b>		
Issued Capital	26,854	31,957
Retained Earnings	(7,733)	(19,959)
Reserves	(626)	307
Total Equity	<u>18,495</u>	<u>12,305</u>
<b>Financial Performance</b>		
Profit/(Loss) for the year	8,738	(1,302)
Other comprehensive income	-	-
Total Comprehensive Income	<u>8,738</u>	<u>(1,302)</u>

The parent entity received nil dividends from other entities within the Group during 2018 (2017:\$440k).

There are no contingent assets or liabilities other than those disclosed in Notes 18 and 26.

The company has guaranteed the banking facilities of a number of subsidiaries as detailed in Note 18. Under the terms of the financial guarantees, the company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due. Terms and face values of the liabilities guaranteed were as follows:

	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>Face Value \$'000</b>	<b>Face Value \$'000</b>
Bank Loans of Controlled Entities	<u>3,702</u>	<u>4,706</u>

There is \$588k of capital commitments at 30 June 2018 (2017: \$214k Capital commitments).

### Note 34: Company Details

The registered office and principal place of business of the company is:

ITL Health Group Limited  
 Level 3  
 10 Moore Street,  
 Canberra, ACT 2601  
 Australia.

## Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards (including the Australian Accounting interpretations);
  - b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Consolidated Group; and
  - c. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.
2. the Chief Executive Officer and the Chairman have signed Management Representation Letters declaring to the best of their knowledge:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view of the financial position and performance of the company.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. in the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that members of the Closed Group identified in note 27 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Cross Guarantee.

This declaration is made in accordance with a resolution of the Board of Directors.



**William Mobbs**  
Executive Chairman  
Dated this 31st day of August 2018

## Auditor's Report



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

#### Report on the Audit of the Financial Report

##### Opinion

We have audited the financial report of ITL Health Group Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

##### 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 are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

##### 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 of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



#### Divestment of Healthcare Australia - Custom Procedure Pack operations

Why significant	How this matter was addressed in the audit
<p>As detailed in Note 6 of the financial report, during the current financial year the Group completed the divestment of its Australian subsidiary, Healthcare Australia Pty Ltd, containing the Custom Procedure Pack operations.</p> <p>This was a key audit matter as the profit on sale of \$9.1 million and the presentation as a discontinued operation had a significant effect on the financial report.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Assessed the accounting treatment of the divestment and disclosures made in the financial report against the requirements of Australian Accounting Standards.</li> <li>▶ We examined the relevant disposal costs and agreed the proceeds received through to bank statements and assessed whether this had been accounted for consistent with the underlying share sale agreements.</li> <li>▶ Assessed the determination of the profit arising from the divestment and ensured that the results of Healthcare Australia Pty Ltd were included in the Group's results through to the date of divestment.</li> <li>▶ Assessed the discontinued operation disclosure presented in the financial report.</li> </ul>

#### Recoverability assessment of goodwill, intangible and tangible assets in MyHealthTest ('MHT')

Why significant	How this matter was addressed in the audit
<p>As at 30 June 2018 the Group held \$2.6 million in goodwill, \$2.1 million of intangible assets and \$1.7 million of property, plant and equipment relating to the MHT cash generating unit (CGU).</p> <p>As detailed in Note 16 of the financial report, the goodwill is tested by the Group for impairment annually, with intangible assets and property, plant and equipment tested where indicators of impairment exist.</p> <p>An impairment indicator existed at 30 June 2018 in the form of the underperformance against budget experienced in commercialising a start-up business.</p> <p>The recoverable amount has been determined based on a value in use model with discounted cash flows, estimates and other significant judgments regarding future projections which are critical to the assessment of impairment.</p> <p>Based on the size of the asset and the level of judgement involved in determining the recoverable amount of a start-up operation, we consider this a key audit matter.</p> <p>At 30 June 2018, the Group has processed an impairment charge of \$4.7 million across intangible assets, including goodwill, and \$0.83 million against property, plant and equipment held by the MHT cash generating unit ('CGU').</p>	<p>We assessed the Group's determination of impairment indicators and whether CGUs were appropriately determined. We tested the mathematical accuracy of the Group's MHT value-in-use model and evaluated the assumptions and methodologies used by the Group in that model. Where appropriate, we involved our valuation specialists to assist with the execution of these procedures.</p> <p>In respect of the Group's impairment assessment of MHT containing indefinite and finite lived intangible assets and in-process development expenditure with impairment indicators, including goodwill, our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Assessed the key judgments and estimates contained within the MHT cash flows prepared by the Group with reference to available supporting calculations and external data (where available) including revenue growth rates, profit margins and terminal growth rates.</li> <li>▶ Assessed the current year actual results in comparison to the prior year Board approved budget in order to assess forecast accuracy.</li> <li>▶ Assessed the appropriateness of the discount rates for the MHT CGU by comparing this to external market data of comparable companies.</li> <li>▶ Assessed the appropriateness of the residual value of property, plant and equipment remaining in the MHT CGU to external supporting documentation.</li> <li>▶ Assessed the adequacy of the disclosures made in the financial report.</li> </ul>

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### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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 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 material 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 Group's ability 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 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 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 this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



- Conclude on the appropriateness of the directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 17 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of ITL Health Group Limited for the year ended 30 June 2018, 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.

Ernst & Young

Ashley Butler  
Partner  
Melbourne  
31 August 2018

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## Shareholder Information

### Stock Exchange Listing

ITL Health Group Limited's shares are listed on the Australian Securities Exchange (ASX) under the code ITD.

The shareholder information set out below was current at 30 July 2018

There were 728 holders of ordinary shares in the Company. These shareholders held 85,552,339 ordinary shares. All issued ordinary shares carry one vote per share.

### Distribution of Ordinary Shares

Holdings Ranges	Holders	Total Units	%
1-1,000	35	9,889	0.012
1,001-5,000	179	554,536	0.648
5,001-10,000	93	795,528	0.930
10,001-100,000	333	11,627,276	13.591
100,001-9,999,999,999	88	72,565,110	84.820
<b>Totals</b>	<b>728</b>	<b>85,552,339</b>	<b>100.000</b>

Holdings less than a marketable parcel (500 shares) - 25

### Substantial Shareholders as at 30 July 2018:

	Number of Shares	% Held
Bilbo Holdings Pty Ltd	33,679,655	39.37

Twenty Largest Shareholders at 29 July 2018:

	Name/Address 1	Balance as at 29-07-2018	%
1	<b>Group - BILBO HOLDINGS PTY LTD</b>	<b>33,679,655</b>	<b>39.367%</b>
	BILBO SUPER PTY LTD <BILBO SUPER FUND A/C>	17,396,927	20.335%
	BILBO HOLDINGS PTY LTD <BILBO FAMILY A/C>	13,402,847	15.666%
	HASTCOMBE PTY LTD	2,088,750	2.441%
	WILLIAM MOBBS	677,966	0.792%
	CATHERINE HOLBERY	113,165	0.132%
2	<b>MR CHRIS CARR &amp; MRS BETSY CARR</b>	<b>4,000,000</b>	<b>4.676%</b>
3	<b>EIP NOMINEES PTY LTD</b>	<b>3,303,353</b>	<b>3.861%</b>
4	<b>ANACACIA PTY LTD &lt;WATILE FUND A/C&gt;</b>	<b>3,044,490</b>	<b>3.559%</b>
5	<b>Group - A &amp; P TURNBULL INVESTMENTS PTY LTD &lt;TURNBULL FAMILY S/F A/C&gt;</b>	<b>2,123,786</b>	<b>2.482%</b>
	A & P TURNBULL INVESTMENTS PTY LTD <TURNBULL FAMILY S/F A/C>	1,991,752	2.328%
	ANDREW TURNBULL	122,034	0.143%
	CANDOO PTY LTD <THE TURNBULL FAMILY A/C>	10,000	0.012%
6	<b>Group - MS STEPHANIE NORRELL 2706 VIKING DRIVE HERNDON VA 20171</b>	<b>2,089,760</b>	<b>2.443%</b>
	MS STEPHANIE NORRELL	2,089,760	2.443%
7	<b>BNP PARIBAS NOMINEES PTY LTD &lt;IB AU NOMS RETAILCLIENT DRP&gt;</b>	<b>1,540,700</b>	<b>1.801%</b>
8	<b>HOFF COMPANY NO3 PTY LTD &lt;BEREND HOFF SUPER FUND A/C&gt;</b>	<b>1,521,927</b>	<b>1.779%</b>
9	<b>Group - MR CRAIG DOUGLAS WILSON 24 GOWRIE AVENUE BONDI JUNCTION NSW 2022</b>	<b>1,508,632</b>	<b>1.763%</b>
	MR CRAIG DOUGLAS WILSON	1,179,543	1.379%
	COCAMA SUPERANNUATION FUND PTY LTD <WILSON FAMILY S/F A/C>	214,880	0.251%
	MRS KARINA PHYLLIDA WILSON	114,209	0.133%
10	<b>Group - PEATCORP SUPER PTY LIMITED &lt;PEATCORP SUPER PTY LTD A/C&gt; GPO BOX 3147</b>	<b>1,402,233</b>	<b>1.639%</b>
	PEATCORP SUPER PTY LIMITED <PEATCORP SUPER PTY LTD A/C>	769,231	0.899%
	PEATCORP SUPER PTY LIMITED <PEATCORP P/L SUPER FUND A/C>	510,968	0.597%
	MARK PEATEY	122,034	0.143%
11	<b>Group - MR KEVIN PETER O'DONNELL &amp; MRS GLENIS NITA O'DONNELL &amp; BEATTIE RICKMAN TRUS'</b>	<b>1,190,000</b>	<b>1.391%</b>
	MRS GLENIS NITA O'DONNELL	1,190,000	1.391%
12	<b>Group - FRED PARRISH INVESTMENTS PTY LTD &lt;PARRISH FAMILY A/C&gt;</b>	<b>1,038,233</b>	<b>1.214%</b>
	FRED PARRISH INVESTMENTS PTY LTD <PARRISH FAMILY A/C>	652,650	0.763%
	FRED PARRISH INVESTMENTS PTY LTD <PARRISH FAMILY A/C>	385,583	0.451%
13	<b>Group - MS KAREN LOUISE CERNEAZ 24 CAROLYN AVENUE BEACON HILL NSW 2100</b>	<b>1,121,865</b>	<b>1.311%</b>
	MS KAREN LOUISE CERNEAZ	612,779	0.716%
	MR NICHOLAS JOHN CERNEAZ	332,813	0.389%
	CENIKA PTY LTD <CENIKA SUPER FUND A/C>	89,183	0.104%
	MR NICHOLAS JOHN CERNEAZ	87,090	0.102%
14	<b>DJD ORR PTY LTD &lt;DOJO SUPER FUND A/C&gt;</b>	<b>936,038</b>	<b>1.094%</b>
15	<b>Group - MR KANDA NARINDERPAL SINGH 10 LARKIN STREET WAVERTON NSW 2060</b>	<b>940,984</b>	<b>1.100%</b>
	NARINDER PALL SINGH KANDA	494,644	0.578%
	MRS ANITA ROOP KANDA	235,208	0.275%
	NK & AK PTY LTD <KANDA SUPER FUND A/C>	90,650	0.106%
	MRS ANITA ROOP KANDA	120,482	0.141%
16	<b>Group - MRS SALLYANNE LEE MOBBS &amp; MR RICHARD JAMES MOBBS &lt;MOBBSTERS SUPER FUND A/</b>	<b>798,970</b>	<b>0.934%</b>
	MRS SALLYANNE LEE MOBBS & MR RICHARD JAMES MOBBS <MOBBSTERS SUPER FUND A/C>	468,870	0.548%
	MR RICHARD JAMES MOBBS & MRS SALLY-ANNE LEE MOBBS <MOBBSTERS FAMILY A/C>	330,100	0.386%
17	<b>CTICORP NOMINEES PTY LIMITED</b>	<b>749,788</b>	<b>0.876%</b>
18	<b>Group - DR MARIANNE LOUISE GOULD</b>	<b>543,446</b>	<b>0.635%</b>
	DR MARIANNE LOUISE GOULD	491,895	0.575%
	DR MARIANNE LOUISE GOULD	51,551	0.060%
19	<b>MR DONALD JULIAN CHANNER</b>	<b>500,000</b>	<b>0.584%</b>
20	<b>MR PETER JOHN GODFREY &amp; MRS JENNIFER GODFREY &lt;P AND J GODFREY FAMILY A/C&gt;</b>	<b>450,000</b>	<b>0.526%</b>



# Corporate Directory

## Directors

Mr William Mobbs  
Mr Andrew Turnbull  
Mr Mark Peatey

Executive Chairman  
Chairman, Audit & Risk Management Committee

## Company Secretary

Mr Trevor Doolan

## Registered Office

Level 3,  
10 Moore Street,  
Canberra, ACT 2601  
Australia

Telephone (02) 6145 2147

## Share Registry

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

General Enquires 1300 737 760  
Facsimile 1300 653 459  
Website [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)  
Email [enquires@boardroomlimited.com.au](mailto:enquires@boardroomlimited.com.au)

## Auditor

Ernst & Young

## Media

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Ben Knowles  
Telephone +61 426 277 760  
Email [Ben.knowles@walbrookir.com.au](mailto:Ben.knowles@walbrookir.com.au)