

# Appendix 4D

## Half Yearly Report

Name of entity

**ITL Limited**

ABN or equivalent company reference

**16 088 212 088**

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

Reporting Period: Half Year to 31 December 2015

Previous Corresponding Period: Half Year to 31 December 2014

### 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 ordinary activities	Up	11%	to	15,693
2.2 Profit/(loss) after tax from ordinary activities attributable to members	Down	36%	to	1,044
2.3 Net profit/(loss) for the period attributable to members	Down	36%	to	1,044
2.4 Dividends (distributions)				
		Amount per Share	Franked Amount per Share	
Final Dividend Paid		0.25 cents	0.25 cents	
Interim Dividend Declared		Nil	Nil	
Refer Note 4 of attached Financial Report for the Half Year Ended 31 December 2015				
2.5 Record date for determining entitlements to the interim dividend				N/A
2.6 Brief explanation of any of the figures reported above necessary to enable the figures to be understood.				
Refer to ASX Announcement and attached Review and Results of Operations in the Directors' Report				

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**Appendix 4D**  
**ITL Limited –31 December 2015 Half Yearly Report**

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<b>3.0 NTA Backing</b>	Current period <b>31 December 2015</b>	Previous Period <b>31 December 2014</b>
Net tangible asset backing per ordinary security	9.8 cents	11.8 cents
Net Asset Backing per ordinary security	15.5 cents	12.1 cents

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

Following approval at the 26 November 2015 AGM, on 1 December 2015 ITL Limited completed acquisition of 100% of the issued capital in MyHealthTest Pty Ltd.

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

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

**6.0 Compliance Statement**

The report has been prepared based on 31 December 2015 Half Yearly Financial Report which has been reviewed by an independent Audit Firm in accordance with the requirements of S302 of the *Corporations Act 2001*.

Attachments forming part of Appendix 4D:

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

Signed here:   
William Mobbs  
Executive Chairman

Date: 16 February 2016

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

**FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED**  
**31 DECEMBER 2015**

# **ITL Limited**

## **CORPORATE INFORMATION**

**ABN: 16 088 212 088**

### **DIRECTORS**

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

### **EXECUTIVE CHAIRMAN**

Mr. William Mobbs

### **COMPANY SECRETARY**

Mr. Trevor Doolan

### **REGISTERED OFFICE and PRINCIPAL PLACE OF BUSINESS**

Unit 1, 63 Wells Road  
Chelsea Heights, VIC 3196

Tel: (03) 8773 3050

### **SHARE REGISTER**

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

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

### **AUDITORS**

Ernst & Young

### **INTERNET ADDRESS**

<http://www.itl-limited.com>

# ITL Limited

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# ITL Limited

## DIRECTORS' REPORT

Your directors submit their report for the half year ended 31 December 2015.

The names of the company's directors in office during the half year ended 31 December 2015 and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

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

## COMPANY SECRETARY

Mr. Trevor Doolan

## PRINCIPAL ACTIVITIES

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

- Development, manufacture, distribution and sale of innovative medical devices.
- Manufacture, distribution and sale of medical procedure packs.

Following approval at the 26 November 2015 AGM, on 1 December 2015 ITL Limited completed the acquisition of 100% of the issued capital of MyHealthTest Pty Ltd ("MHT"). MHT is a Canberra based medical biotech company which provides direct to consumer pathology testing.

There were no other significant changes in the nature of the Group's principal activities during the half year.

## EARNINGS PER SHARE

For the half year ended 31 December	2015	2014
	Cents	Cents
Basic earnings per share	1.2	1.9
Diluted earnings per share	1.2	1.9

# ITL Limited

## DIRECTORS' REPORT (continued)

### REVIEW AND RESULTS OF OPERATIONS

Profit after tax for the consolidated Group for the half year ended 31 December 2015 was \$1.04m, which was \$0.59m or 36% below the December 2014 half year profit of \$1.63m.

Earnings per share for the half year ended 31 December 2015 was 1.2 cents compared with the prior corresponding period of 1.9 cents.

Income tax benefit was \$0.03m (2014: \$0.07m benefit) with nil tax payable in Australia and Malaysia due to brought forward tax losses and other unabsorbed tax allowances from prior years.

Profit before tax was \$1.01m (2014: \$1.56m). This decline from the prior corresponding half year was mainly attributable to a number of one-off factors:

- Production levels were significantly higher to build inventories prior to plant shut down and relocation from Lahat to Bemban;
- Profit on sale in December 2014 of former manufacturing facility at Lahat in Malaysia; and,
- Transaction costs in the December 2015 half year to complete the acquisition of MyHealthTest Pty Ltd.

Sales revenue increased strongly by 11% from \$14.1m to \$15.7m. Healthcare Australia revenue increased 8% due to strong growth of procedure packs to major hospitals particularly in NSW. Despite poor market conditions in the U.S., BioMedical revenue was up 19% due to the stronger USD and growth in sales to Healthcare Australia. However, this is at lower margins due to strong competition.

Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)\* for the half year ended 31 December 2015 was \$1.6m (2014: \$2.1m). The reconciliation between Profit before tax and EBITDA is as follows:

\$'000	2015	2014
Profit before Income Tax	1,012	1,559
Add back/(deduct):		
Depreciation and amortisation expense	444	447
Interest Expense	190	113
Interest Income	(23)	(6)
EBITDA*	<u>1,623</u>	<u>2,113</u>

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

Group Operating Cashflow for the half year ended 31 December 2015 was \$0.9m (2014: \$0.6m). The improvement reflected lower working capital growth partly offset by lower cash profits. This cash inflow was used to fund capital expenditure/investments of \$0.7m and the final dividend payment of \$0.2m.

The net debt position of \$4.6m at 31 December 2015 was virtually unchanged from the net debt position of \$4.5m at 30 June 2015. The Group's gearing, measured as net debt as a percentage of net debt plus equity, improved from 28% to 24% due to the increase in equity.

A partly franked final dividend of 0.25 cents per share was paid in September 2015. Nil interim dividend was declared in respect of 2015/16.

## **Strategy and Outlook**

Following the previous year's investment in new Malaysian manufacturing facilities, 2015/16 is a year when strategic growth initiatives and diversification of the business will be progressively implemented and hence position the ITL Group for enhanced profitability going forward.

Key strategic initiatives include:

- Strong BioMedical push for new growth markets, new product development and patent driven customer opportunities;
- Further expansion and diversification of manufacturing operations in Malaysia;
- Progressive transfer of certain products from Healthcare Australia to ITL's low cost modern Malaysian production facilities;
- Growth of Healthcare Australia business through increased pack share in NSW & VIC and creation of markets for specialist kit supply Australia wide;
- Strategic sourcing of raw materials to reduce purchase costs; and,
- Diversification of ITL business base to accelerate growth both organically and through potential acquisition.

Following approval at the 26 November 2015 AGM, ITL acquired 100% of the issued capital of MyHealthTest Pty Ltd ("MHT"). MHT is a Canberra based medical biotech company which provides direct to consumer pathology testing. Its mission is to help people monitor and manage their own health and wellbeing in a convenient manner. This is achieved through diagnosing and managing major chronic diseases. The initial launch related to the HbA1c test for diabetes which is the fastest growing chronic disease in most countries in the world including Australia.

MHT launched commercial online sales of the diabetes test in October 2015 and development of additional tests is currently in progress potentially for cardiac, thyroid and prostate conditions.

Major partnerships have been established with ACT Diabetes, Diabetes NSW and NRMA.

Partnerships are progressively being developed with the retail (pharmacy) market and with major companies through the Corporate Wellness Program.

Despite sound underlying growth and the revenue benefit from a stronger US dollar, profitability in the second half year will be constrained by the following factors:

- Operating losses in the MHT start up business until revenues build up with full commercialisation expected in 2016/17; and,
- Contracting margins, despite improved purchasing outcomes, with forecast price reductions on a number of major products.

# **ITL Limited**

## **DIRECTORS' REPORT (continued)**

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

At the Annual General Meeting of the company held on 26 November 2015, it was resolved that ITL Limited authorise and approve the buyback of up to 15% of the issued ordinary shares through an on-market buy-back. Based on the number of shares outstanding at the close of 25 November 2015 of 84,678,177 the maximum amount of the buyback over the next 12 months is 12,701,727 shares.

Following approval at the 26 November 2015 AGM, on 1 December 2015 ITL Limited completed the acquisition of 100% of the issued capital of MyHealthTest Pty Ltd ("MHT"). MHT is a Canberra based medical biotech company which provides direct to consumer pathology testing.

At the 26 November 2015 AGM, approval was also obtained for an additional 10% share placement capacity in addition to the 15% capacity available under Listing Rule 7.1.

### **EVENTS AFTER BALANCE DATE**

At the close of 15 February 2016 240,000 ordinary shares have been bought back since 31 December 2015. Issued capital at the close of business on 15 February 2016 is 94,438,177 ordinary shares.

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

### **ROUNDING**

The amounts contained in the accompanying half year financial information have been rounded to the nearest \$1,000 (where applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

# ITL Limited

## DIRECTORS' REPORT (continued)

### CORPORATE GOVERNANCE

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

The company's Corporate Governance Statement is available on the company's website [www.itl-limited.com](http://www.itl-limited.com).

### AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the Directors.



William Mobbs (Executive Chairman)

16 February 2016

## **ITL Limited**

### **DIRECTORS' DECLARATION**

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

I state that in the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity for the half year ended 31 December 2015 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2015 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



16 February 2016

William Mobbs (Executive Chairman)

## AUDITORS' INDEPENDENCE DECLARATION



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

As lead auditor for the review of ITL Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ashley Butler  
Partner  
16 February 2016



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To the members of ITL Limited

## Report on the Half-Year Condensed Financial Report

We have reviewed the accompanying half-year condensed financial report of ITL Limited, which comprises the interim consolidated balance sheet as at 31 December 2015, the interim consolidated statement of profit or loss, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Condensed Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year condensed financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the condensed financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ITL Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.



## Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Ashley Butler', written in a cursive style.

Ashley Butler  
Partner  
16 February 2016

# ITL Limited

## INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the half year ended 31 December

	Note	31/12/2015 \$000's	31/12/2014 \$000's
Revenue	2	15,693	14,142
Cost of Sales		(9,749)	(7,779)
Gross Profit		<u>5,944</u>	<u>6,363</u>
Other income	2	110	282
Salaries and employee benefits expense		(3,157)	(3,372)
Depreciation and amortisation expense	3	(116)	(143)
Finance costs		(190)	(113)
Premises and office expenses		(651)	(539)
Travel and accommodation		(193)	(206)
Business insurance		(131)	(114)
Product registration & IP maintenance		(157)	(146)
Regulatory & QA costs		(107)	(57)
Other expenses from ordinary activities		(340)	(396)
Total Expenses		<u>(5,042)</u>	<u>(5,086)</u>
Profit before income tax expense		<u>1,012</u>	<u>1,559</u>
Income tax benefit		32	69
<b>Profit for the half year</b>		<u><b>1,044</b></u>	<u><b>1,628</b></u>
Profit attributable to members of the parent		<u><u>1,044</u></u>	<u><u>1,628</u></u>
<b>Earnings per Share</b>			
Basic profit per share (cents per share)		1.2 cents	1.9 cents
Diluted profit per share (cents per share)		1.2 cents	1.9 cents

The accompanying notes form part of these financial statements

## ITL Limited

### INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 31 December

	Note	31/12/2015 \$000's	31/12/2014 \$000's
<b>Profit</b>		<b>1,044</b>	<b>1,628</b>
<b>Other Comprehensive Income</b>			
<b>Items that may be reclassified subsequently to Profit or Loss</b>			
Exchange differences on translating foreign operations		(354)	308
Income tax on items of other comprehensive income		-	-
<b>Other comprehensive income for the half year, net of tax</b>		<b>(354)</b>	<b>308</b>
<b>Total comprehensive income attributable to members of the parent</b>		<b>690</b>	<b>1,936</b>

The accompanying notes form part of these financial statements

# ITL Limited

## INTERIM CONSOLIDATED BALANCE SHEET

as at 31 December

	Note	31/12/2015 \$000's	30/06/2015 \$000's
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	1,458	1,103
Trade and other receivables		5,166	4,694
Inventories		5,549	5,645
Other current assets		670	1,007
<b>TOTAL CURRENT ASSETS</b>		<b>12,843</b>	<b>12,449</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		6,173	6,371
Product tooling		541	600
Intangible assets	6	3,410	466
Deferred tax assets		1,972	1,937
<b>TOTAL NON-CURRENT ASSETS</b>		<b>12,096</b>	<b>9,374</b>
<b>TOTAL ASSETS</b>		<b>24,939</b>	<b>21,823</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,919	3,088
Borrowings	8	2,860	2,279
Short-term provisions		846	811
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,625</b>	<b>6,178</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	8	3,244	3,366
Long-term provisions		413	400
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,657</b>	<b>3,766</b>
<b>TOTAL LIABILITIES</b>		<b>10,282</b>	<b>9,944</b>
<b>NET ASSETS</b>		<b>14,657</b>	<b>11,879</b>
<b>EQUITY</b>			
Issued capital	7	31,774	29,474
Foreign currency translation reserve		(1,302)	(948)
Accumulated losses		(15,815)	(16,647)
<b>TOTAL EQUITY</b>		<b>14,657</b>	<b>11,879</b>

The accompanying notes form part of these financial statements

# ITL Limited

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December

	<b>Issued Capital</b>	<b>Foreign Currency Translation Reserve</b>	<b>Asset Revaluation Reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Balance at 1 July 2015</b>	29,474	(948)	-	(16,647)	11,879
Profit for the period	-	-	-	1,044	1,044
Other comprehensive income	-	(354)	-	-	(354)
Total comprehensive income for the year	29,474	(1,302)	-	(15,603)	12,569
Transactions with owners in their capacity as owners:					
Dividend Payment	-	-	-	(212)	(212)
Share buyback	-	-	-	-	-
Shares issued ( acquisition of MHT)	2,300	-	-	-	2,300
<b>Balance at 31 December 2015</b>	<b>31,774</b>	<b>(1,302)</b>	<b>-</b>	<b>(15,815)</b>	<b>14,657</b>
<b>Balance at 1 July 2014</b>	29,096	(1,186)	48	(17,963)	9,995
Profit for the period	-	-	-	1,628	1,628
Other comprehensive income	-	308	-	-	308
Total comprehensive income for the year	-	308	-	1,628	1,936
Transactions with owners in their capacity as owners:					
Asset Revaluation Reserve	-	-	(48)	48	-
Dividend Payment	-	-	-	(427)	(427)
Share buyback	(79)	-	-	-	(79)
Share based payments	585	-	-	-	585
<b>Balance at 31 December 2014</b>	<b>29,602</b>	<b>(878)</b>	<b>-</b>	<b>(16,714)</b>	<b>12,010</b>

The accompanying notes form part of these financial statements

# ITL Limited

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 31 December

	Note	31/12/2015 \$000's	31/12/2014 \$000's
<b>OPERATING ACTIVITIES</b>			
Profit/(Loss) before Tax		1,012	1,559
<u>Non-Cash items:</u>			
Depreciation and amortisation		444	447
Net (gain)/loss on disposal of assets		-	(149)
Unrealised (gain)/loss on foreign currency transactions		130	163
Share based payments	7	-	585
<u>Changes in assets and liabilities:</u>			
(Increase) in Trade and other receivables		(461)	(866)
Decrease/(Increase) in Other current assets		337	(38)
Decrease/(Increase) in Inventories		112	(1,448)
(Decrease)/Increase in Trade and other Payables		(661)	361
(Decrease)/Increase in Provisions		(36)	29
Income Tax Paid		-	(38)
<b>Net cash flow from operating activities</b>		<b>877</b>	<b>605</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for product tooling and development		(26)	(59)
Payment for property, plant and equipment		(111)	(1,420)
Payment for intangible assets		(344)	(8)
Acquisition of a subsidiary, net of cash acquired	12	(264)	-
Proceeds from the sale of property, plant and equipment		-	1,262
<b>Net cash flow (used in) investing activities</b>		<b>(745)</b>	<b>(225)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		459	1,630
Payment for dividends		(212)	(427)
Payment for share buyback		-	(79)
<b>Net cash flow from/(used in) financing activities</b>		<b>247</b>	<b>1,124</b>
<b>NET (DECREASE)/INCREASE IN CASH HELD</b>		<b>379</b>	<b>1,504</b>
Net foreign exchange differences		(24)	(3)
Cash at beginning of period	5	1,103	122
<b>CASH AT END OF PERIOD</b>	<b>5</b>	<b>1,458</b>	<b>1,623</b>

The accompanying notes form part of these financial statements

# **ITL Limited**

## **CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

### **1. BASIS OF PREPARATION**

This general purpose condensed financial report for the half year ended 31 December 2015 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*, and prepared for the purpose of presenting the consolidated entity as a for-profit entity.

The financial information in this report for the half year ended 31 December 2015 was authorised for issue in accordance with a resolution of the Directors on 16 February 2016.

ITL Limited is a limited company incorporated and domiciled in Australia whose shares are publicly traded. The principal activities of the company and its subsidiaries (the Group) are described in Note 11.

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

It is recommended that this report should be read in conjunction with the Annual Report for the year ended 30 June 2015 and be considered together with any public announcements made by ITL Limited and its controlled entities during the half year ended 31 December 2015 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

The Directors believe that Australian Accounting Standards and Interpretations that have recently been issued or amended since 30 June 2015 will not have a material impact to the Group's future financial position, performance and disclosures.

# ITL Limited

## CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2015

### 1. BASIS OF PREPARATION (continued)

#### Foreign Currency Transactions and Balances

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

	<u>31/12/2015</u>	<u>30/06/2015</u>	<u>31/12/2014</u>
Spot rate			
AUD/MYR	3.1357	2.8905	2.8531
AUD/USD	0.7298	0.7655	0.8156
Average rate for reporting period			
AUD/MYR	2.9985	2.8771	2.9133
AUD/USD	0.7230	0.8318	0.8887

There have been no adjustments to the accounting policies of the Group since 30 June 2015.

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

Under AASB 134 Interim Financial Reporting, measurement is generally made on an annual reporting period to date basis. However, it is recognised that the interim period is part of a larger annual reporting period not an independent reporting period. Accordingly, interim period income tax expense can be accrued using the estimated average annual effective income tax rate that would be applicable to expected total annual earnings. This policy change was adopted by ITL Asia Pacific Sdn Bhd for the half year ended 31 December 2014 and for consistency is continued for the half year ended 31 December 2015.

# ITL Limited

## CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Note	31/12/2015 \$'000s	31/12/2014 \$'000s
<b>2. REVENUE and OTHER INCOME</b>			
<b>Revenue</b>			
ITL BioMedical		6,775	5,691
Healthcare Australia		10,302	9,547
MyHealthTest		-	-
Inter Segment		(1,384)	(1,096)
Total Sales Revenue		<u>15,693</u>	<u>14,142</u>
<b>Other Income</b>			
Gain on Sale of Property		-	242
Grant Income		47	-
Other		63	40
Total Other Income		<u>110</u>	<u>282</u>
<b>Total Income</b>		<b><u>15,803</u></b>	<b><u>14,424</u></b>
<b>3. EXPENSES</b>			
<b>Depreciation &amp; Amortisation expense</b>			
Depreciation of non-current assets			
Land & buildings		12	16
Furniture & Fittings		11	10
Leasehold Improvements		130	115
Office & Computer equipment		31	28
Plant & Equipment		167	145
Product Tooling		41	37
<b>Total Depreciation</b>		<b><u>392</u></b>	<b><u>351</u></b>
Amortisation of non-current assets			
Computer Software		33	26
Product Design/development		-	53
Patents, trademarks & licencing		19	17
<b>Total Amortisation</b>		<b><u>52</u></b>	<b><u>96</u></b>
<b>Total depreciation and amortisation</b>		<b><u>444</u></b>	<b><u>447</u></b>
Less depreciation and amortization disclosed in cost of sales		(328)	(304)
<b>Total depreciation and amortisation expense</b>		<b><u>116</u></b>	<b><u>143</u></b>

# ITL Limited

## CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2015

### 4. DIVIDENDS PAID AND PROPOSED

	31/12/2015 \$'000s	31/12/2014 \$'000s
<b>Dividends paid during the half year</b>		
Final partly franked dividend paid for 2015: 0.25 cents per share (2014: 0.50 cents per share fully franked) paid 3 September 2015	212	427
Nil interim dividend declared in respect of 2015/16 (2014/15: 0.50 cents per share fully franked)	-	426

### 5. CASH AND CASH EQUIVALENTS

	31/12/2015 \$'000s	30/06/2015 \$'000s
Cash on hand	1	2
Cash at bank	1,457	1,101
<b>Total Cash and Cash Equivalents</b>	<b>1,458</b>	<b>1,103</b>

### 6. INTANGIBLE ASSETS

	31/12/2015 \$'000s	30/06/2015 \$'000s
Business development software	437	208
Patents, trademarks and licenses	288	258
Provisional goodwill on acquisition	2,685	-
<b>Total Intangible Assets</b>	<b>3,410</b>	<b>466</b>

# ITL Limited

## CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2015

7. ISSUED CAPITAL	<u>31/12/2015</u> \$'000s	<u>30/06/2015</u> \$'000s	<u>31/12/2014</u> \$'000s
Ordinary shares:			
At beginning of reporting period	29,474	29,096	29,096
Share buyback (i)	-	(206)	(79)
Transaction costs net of tax (ii)	-	(1)	-
Shares issued during the period (share based payments) (iii)	-	585	585
Shares issued (acquisition of MHT) (iv)	2,300	-	-
	<u>31,774</u>	<u>29,474</u>	<u>29,602</u>
	<b>No. 000s</b>	<b>No. 000s</b>	<b>No. 000s</b>
At beginning of reporting period	84,678	82,760	82,760
Share buyback (i)	-	(939)	(373)
Shares issued during the period (share based payments) (iii)	-	2,856	2,856
Shares issued (acquisition of MHT) (iv)	10,000	-	-
	<u>94,678</u>	<u>84,678</u>	<u>85,243</u>

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

	<u>31/12/2015</u>	<u>30/06/2015</u>	<u>31/12/2014</u>
(i) Buy back average price	-	\$0.220	\$0.212
Buy back price range	-	\$0.200-\$0.225	\$0.200-\$0.225
Total cost of buyback \$'000s	-	206	79
(ii) The transaction costs represent brokerage costs associated with the buy back.			
(iii) 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 renewed approval at the 31 October 2013 & 2014 Annual General Meetings, 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. There were no share issues under the ESP during the half year. Details are as follows:			
14/08/2014 - issue price	-	-	0.200
- fair value	-	-	0.205

# ITL Limited

## CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2015

### 7. ISSUED CAPITAL (continued)

- (iv) 10,000,000 shares were issued for \$2,300,000 during the half year ended 31 December 2015 as consideration for 100% of the issued capital in MyHealthTest Pty Ltd. This transaction was approved at the AGM held on 26 November 2015 and completed on 1 December 2015.

### 8. BORROWINGS

	31/12/2015	30/06/2015
	\$'000s	\$'000s
<b>Current</b>		
Bank overdrafts	350	-
Bankers Acceptances	1,254	1,257
Bank loans	1,127	873
Non-bank finance	129	149
	<hr/>	<hr/>
	2,860	2,279
<b>Non-current</b>		
Bank loans	3,022	3,259
Non-bank finance	222	107
	<hr/>	<hr/>
	3,244	3,366
	<hr/>	<hr/>
	6,104	5,645

ITL Healthcare Pty Ltd has overdraft, term loan and other finance facilities from Commonwealth Bank of Australia. In addition there is a bank guarantee of \$185,000 that has been provided to a third party. These facilities are secured by cross guarantees and debenture charges from ITL Limited, ITL Corporation Pty Ltd and ITL Healthcare Pty Ltd.

ITL Asia Pacific Sdn Bhd has term loan, overdraft, bankers' acceptance and other finance facilities including a bank guarantee equivalent to \$17,540 (RM 55,000) provided to a third party. 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.

MyHealthTest Pty Ltd has provided a bank guarantee to a third party for \$6,545. This is secured by a term deposit.

### 9. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent assets or liabilities as at the date of this report apart from those noted in Note 12.

For information on bank guarantees given by ITL Limited and its controlled entities, refer to Note 8: Borrowings.

## **ITL Limited**

### **CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

#### **10. EVENTS AFTER BALANCE DATE**

At the close of 15 February 2016 240,000 ordinary shares have been bought back since 31 December 2015. Issued capital at the close of business on 15 February 2016 is 94,438,177 ordinary shares.

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

## **ITL Limited**

### **CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

#### **11. SEGMENT REPORTING**

The Group's reportable segments are as follows:

##### **ITL BioMedical (formerly known as Innovative Products Group) ("BioMed")**

BioMed designs, manufactures, markets and distributes a range of biological safety sampling devices for the global human healthcare market.

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

- Management and new product development is based in Australia;
- Manufacturing and tool making is based in Malaysia. Our manufacturing facility is TUV accredited, Quality Management System is ISO 13485: 2003 certified and, the Environmental Management System is ISO 14001: 2004 certified. Products include FDA 510K and/or CE mark as necessary.
- Sales and marketing is based in North America where our largest customers and markets are located.

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.

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

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

HCA has three core product areas; Customised Procedure Packs, Catheter Laboratory kits and Invasive Pressure Monitoring kits which consist of products that have been created in consultation with Australian healthcare practitioners for the Australian market.

HCA's unique point of difference is a state of the art ethylene oxide steriliser and class 8 clean room assembly facility which enables HCA to pursue other potential areas for strong growth including OEM manufacturing of kits.

##### **MyHealthTest Pty Ltd (MHT)**

MHT, a new segment following acquisition on 1 December 2015, is a Canberra based medical biotech company which provides direct to consumer pathology testing. Its mission is to help people monitor and manage their own health and wellbeing in a convenient manner. This is achieved through diagnosing and managing major chronic diseases. The initial launch related to the HbA1c test for diabetes which is the fastest growing chronic disease in most countries in the world including Australia.

## **ITL Limited**

### **CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

#### **11. 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 AASB8 *Operating Segments*.

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

The following table presents the revenue and profit information regarding business unit segments for the half years ended 31 December 2015 and 31 December 2014.

# ITL Limited

## CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2015

### 11. SEGMENT REPORTING (continued)

Half Year ended 31 December 2015

	BioMed \$'000	HCA \$'000	MHT	Total Segments \$'000	Corporate & Other \$'000	Adjusts. and Elims. \$'000	Total \$'000
<b>Revenue</b>							
External customers	5,548	10,145	-	15,693	-	-	15,693
Inter segment	1,227	157	-	1,384	-	(1,384)	-
	<b>6,775</b>	<b>10,302</b>	<b>-</b>	<b>17,077</b>		<b>(1,384)</b>	<b>15,693</b>
Other revenue	14	26	-	40	-	-	40
Grant Income	-	-	47	47	-	-	47
Interest revenue	-	-	-	-	23	-	23
	<b>14</b>	<b>26</b>	<b>47</b>	<b>87</b>	<b>23</b>	<b>-</b>	<b>110</b>
<b>Total segment revenue</b>	<b>6,789</b>	<b>10,328</b>	<b>47</b>	<b>17,164</b>	<b>23</b>	<b>(1,384)</b>	<b>15,803</b>
<b>Result</b>							
Segment results *	1,366	362	(24)	1,704	(608)	83	1,179
<b>Earnings Before Interest and Tax *</b>	<b>1,366</b>	<b>362</b>	<b>(24)</b>	<b>1,704</b>	<b>(608)</b>	<b>83</b>	<b>1,179</b>
Interest revenue	-	-	-	-	23	-	23
Interest expense	(106)	(69)	-	(175)	(15)	-	(190)
Income tax benefit/(expense)	(25)	-	-	(25)	57	-	32
<b>Total segment results</b>	<b>1,235</b>	<b>293</b>	<b>(24)</b>	<b>1,504</b>	<b>(543)</b>	<b>83</b>	<b>1,044</b>

\*Includes corporate recharges to each segment

# ITL Limited

## CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2015

### 11. SEGMENT REPORTING (continued)

Half Year ended 31 December 2014

	BioMed \$'000	HCA \$'000	Total Segments \$'000	Corporate & Other \$'000	Adjusts. and Elims. \$'000	Total \$'000
<b>Revenue</b>						
External customers	4,818	9,324	14,142	-	-	14,142
Inter segment	873	223	1,096	-	(1,096)	-
	<b>5,691</b>	<b>9,547</b>	<b>15,238</b>	<b>-</b>	<b>(1,096)</b>	<b>14,142</b>
Other revenue	12	22	34	-	-	34
Gain on sale of property	242	-	242	-	-	242
Interest revenue	1	-	1	5	-	6
	<b>255</b>	<b>22</b>	<b>277</b>	<b>5</b>	<b>-</b>	<b>282</b>
<b>Total segment revenue</b>	<b>5,946</b>	<b>9,569</b>	<b>15,515</b>	<b>5</b>	<b>(1,096)</b>	<b>14,424</b>
<b>Result</b>						
Segment results *	<b>1,737</b>	<b>712</b>	<b>2,449</b>	<b>(592)</b>	<b>(191)</b>	<b>1,666</b>
<b>Earnings Before Interest and Tax *</b>						
	<b>1,737</b>	<b>712</b>	<b>2,449</b>	<b>(592)</b>	<b>(191)</b>	<b>1,666</b>
Interest revenue	1	-	1	5	-	6
Interest expense	(43)	(63)	(106)	(7)	-	(113)
Income tax benefit/(expense)	58	-	58	11	-	69
<b>Total segment results</b>	<b>1,753</b>	<b>649</b>	<b>2,402</b>	<b>(583)</b>	<b>(191)</b>	<b>1,628</b>

\*Includes corporate recharges to each segment

# ITL Limited

## CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2015

### 12. BUSINESS COMBINATIONS

#### Acquisitions in 2015

Following approval at the 26 November 2015 AGM, on 1 December 2015 ITL Limited completed the acquisition of 100% of the issued capital of MyHealthTest Pty Ltd (“MHT”). MHT is a Canberra based medical biotech company which provides direct to consumer pathology testing. The Group has acquired MHT as a strategic investment to support its growth strategy.

Purchase consideration of \$2,750,000 comprised:

- (i) Acquisition of 100% of existing MHT shares from MHT shareholders in exchange for 10,000,000 ITL shares whose fair value was determined as the market price on the ASX of \$0.23 on 26 November 2015 i.e. \$2,300,000; and,
- (ii) Subscription of \$450,000 for new MHT ordinary shares.

Acquisition related transaction costs of \$113,650 have been recognised as an expense during the half year ended 31 December 2015.

The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of MHT for the one month period from the acquisition date.

#### Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of MyHealthTest Pty Ltd as at the date of acquisition were:

	<b>Fair Value recognised on acquisition \$'000's</b>
<b>Assets</b>	
Property, plant and equipment	380
Inventory	16
Cash and cash equivalents	186
Trade & Other Receivables	12
Intangibles (provisional)*	47
	<hr/> 641
<b>Liabilities</b>	
Trade and Other Payables	(492)
Provisions	(84)
	<hr/> (576)
<b>Total identifiable net assets at fair value</b>	<hr/> <b>65</b>
Goodwill arising on acquisition (provisional)*	<b>2,685</b>
<b>Purchase consideration</b>	<hr/> <b>2,750</b> <hr/>
<b>Analysis of cash flows on acquisition</b>	
Net cash acquired with the subsidiary	186
Cash paid	(450)
<b>Net cash flow on acquisition</b>	<hr/> <b>(264)</b> <hr/>

## **ITL Limited**

### **CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

#### **12. BUSINESS COMBINATIONS (continued)**

\*The fair value of intangible assets related to possible intellectual property and any other intangible assets has not yet been determined. This is due to the complexities associated with intellectual property valuation in a start-up business. Thus the value of intangible assets may be adjusted with a corresponding adjustment to intangible assets and goodwill prior to 30 June 2016.

At the date of the acquisition the gross value of trade & other receivables was \$12,000 which includes \$7,000 from related ITL companies. Due to the short term maturity of these debts fair value has been determined by management to be materially the same as the carrying value. None of the receivables have been impaired.

ITL Corporation Pty Ltd is the supplier of pathology test kits to MHT. As at the date of acquisition MHT owed ITL Corporation Pty Ltd \$6,000 for the supply of such kits.

From the date of the acquisition MHT has contributed \$47,000 of revenue and a loss before tax of \$24,000 to the continuing operations of the Group. It is not practicable to determine what the MHT revenue and profit or loss would have been for the half year since MHT's accounting policies were different to those applied by ITL.

The provisional goodwill recognised is attributed to the growth opportunities and other benefits from combining the resources and activities of MHT with the Group. The provisional goodwill is not deductible for income tax purposes.

There are no contingent assets or liabilities.

## ITL Limited

### CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE HALF YEAR ENDED 31 DECEMBER 2015

#### 13. RELATED PARTY

		Interest Receivable \$'000	Total Amounts owed \$'000
Loan to Director	30/6/2015	20	470
	31/12/2015	-	-

On 20 March 2015 ITL Limited entered into a revised loan agreement with Mr. W. Mobbs, Executive Chairman. The loan facility amount of \$450,000 was fully drawn at 30 June 2015. Interest was payable at 12% and there was accrued interest of \$19,944 at 30 June 2015. On 30 November 2015 the loan was fully repaid.

		Sales \$'000	Amounts owed \$'000
Transactions - other directors' interests	31/12/2014	9	-
	31/12/2015	6	-

During the year and prior to the completion of the acquisition of MyHealthTest Pty Ltd., ITL Corporation Pty Ltd provided goods at market price for \$5,544 to MyHealthTest Pty Ltd. The latter is a company whose majority shareholding was controlled by Mr W Mobbs (Executive Chairman, ITL).

#### Acquisition of MHT

As outlined in Note 12, during the half year ITL acquired 100% of the share capital of MyHealthTest Pty Ltd, a company in which Mr. W Mobbs had a 67.2% interest.