(ABN: 16 088 212 088)

2021
Annual Report

ITL 2021 ANNUAL REPORT

Contents to financial report

Chairman's Message to Shareholders

ITL Health Group Limited's ("ITL") financial results for the year are:

- EBITDA of $8.5m (2020: $4.9m)
- Profit before Tax of $7.4m (2020: $3.6m)
- Revenue of $28.4m (2020: $28.1m)
- Full year unfranked dividend of 9.0cps (2020: 4.0cps, 2019: 2.0cps)
- Final unfranked dividend of 5.0cps declared
- Earnings per share of 7.4 cents (2020: 3.7 cents)

ITL is pleased to announce that it has been able to more than double its earnings (Profit before Tax) from $3.6m in 2020 to $7.4m in 2021. However, the underlying profit before tax excluding one-off relisting and divestment costs ($0.9m) is $8.3m – a 135% increase.

This has allowed ITL to pay a record dividend for the year.

This result has been achieved after the transformation of the business including:

- the divestment of the Australian procedure pack business
- the focus on core activities particularly our own proprietary products
- increased sales of new products via new contract arrangements in our international markets
- improvements in manufacturing processes with increased automation and;
- the divestment of the MyHealthTest Pty Ltd business.

The 2020-21 financial year saw continued difficult operating conditions due to the ongoing COVID pandemic causing delays in supply chains and ability to access customers for new products and contracts. However, ITL was still able to maintain supply of our essential products and to implement our strategies.

Revenues throughout the year have been adversely affected by a 12% change in the exchange rate conversion equating to approximately a $2.2m effect. The second half of the year revenues grew strongly as our US customers ramped up for FDA regulatory changes to be implemented by October 2021.

The Australian market continues to be highly price competitive with no change to this environment expected. ITL will continue to position its products favorably and will continue to develop more proprietary products to service this market and protect our profits.

The MyHealthTest business was divested at the end of March 2021 due to continued difficulty in gaining commercial traction including the effects of the COVID pandemic. The Board considered the future of the business and decided that the lead times to produce commercial results was too long and that this business was therefore not core to ITL's future success strategies.

The Point of Care Test Market is a huge global market and is experiencing rapid growth. ITL has been investing over the last 2 years in the development of a Point of Care Test that is initially aimed at the Blood Banking markets where we have strong relationships. We currently are in the optimization and development stage and anticipate progressing to clinical trials in the current financial year. This test also has significant potential in Clinical markets.

Finally, as recently announced, after 27 years since founding ITL I believe the business is in the best shape it has ever been in. Therefore I believe this is an appropriate time for me to retire from my role as Executive Chairman. I will however continue to offer guidance and support in a Non-Executive board role from 1 September 2021.

This has created a number of changes to the Management of the company with the very talented Mr. Craig Wilson promoted to the position of Chief Executive Officer. Craig has been with the company for over 25 years (the last 11 years as the Chief Operating Officer) and has been instrumental in implementing the major restructuring outlined above.

Chairman's Message to Shareholders

In addition, ITL is also pleased to announce that Ms. Stephanie Norrell has joined the Board of Directors as an Executive Director. Stephanie is the Vice President of International Sales & Marketing for ITL based in the USA. Having joined ITL 21 years ago Stephanie brings to the Board a wealth of experience in sales and marketing in the international markets where ITL is currently experiencing strong growth and where it intends to focus its expansion efforts in the future.

The Board and Management will continue to focus on increasing shareholder value as seen by the strong growth in profits and dividends over the last 3 years, and is currently planning a return to the ASX to capitalise on our improved performance and growth potential.

The Board and I are looking forward to working with Craig and we are confident he will deliver strong returns into the future through delivery of revenue, earnings and dividends growth.

William Mobbs
Executive Chairman

Company Profile

History

Over the years ITL Health Group Limited ("ITL") has grown from a small privately owned research and development venture into a multi-million dollar public company. ITL manufactures and supplies single use safety medical devices into Global Healthcare markets (now into over 50 countries) in laboratory, clinical and blood bank sectors.

During the year ITL completed the strategic divestment of MyHealthTest Pty Ltd. Following the divestment ITL has consolidated its operations into the BioMedical division.

ITL BioMedical ("BioMed")

BioMed creates and manufactures leading edge medical devices for the laboratory, clinical and blood banking 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 four 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. ITL ensures a high level of medical device safety and performance by commitment to meet all regulatory requirements whilst ensuring the medical devices are manufactured under its established Quality Management System. ITL's Quality Management System for Medical Devices Regulations is purposed under the recognised harmonised standards of ISO 13485:2016, and 21 CFR Part 820. Compliance to ITL's quality management system is periodically confirmed by audits or inspection from regulators or its appointed conformity assessment bodies such as TUV SUD, Medical Device Authority of Malaysia and the US Food and Drug Administration. ITL's medical devices are CE marked to MDD/93/42/EEC, MDR 2017/745 and In Vitro Diagnostic Devices under Directive (IVDD) 98/79/EC, registered with the TGA, FDA and Malaysia Medical Device Authority and/or other countries regulatory bodies.
- Sales and marketing operations are based in the United States, Europe and Australia

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 as well as extensive trade secrets. Its customer base includes some of the largest multinational healthcare suppliers in the world.

BioMed is focused on achieving year on year revenue, EBITDA and profit growth by leveraging its extensive and proven product commercialization resources to expand its product range and penetration into global markets.

Directors' Report

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2021.

Directors

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

Non-executive directors:

Mr Andrew Turnbull
Mr Mark Peatey

Executive directors:

Mr William Mobbs, Executive Chairman (to retire as Executive Chair and to be appointed to Non-Executive role 1 September 2021)
Ms Stephanie Norrell (appointed 1 August 2021)

Principal Activities

The principal activities of ITL during the financial year were:

- Development, manufacture, distribution and sale of innovative single use safety medical devices for the laboratory, clinical and blood banking markets
- Development of Point of Care Tests for global Clinical and Blood Banking markets

The MyHealthTest business was divested at the end of March 2021 due to continued difficulty in gaining commercial traction including the effects of the COVID pandemic. The Board considered the future of the business and decided that the lead times to produce commercial results was too long and that this business was therefore not core to ITL's future success strategies.

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 paid a total of 9.0 cps for the 2021 financial year. An unfranked dividend of 4.0 cps was paid in February 2021 and a final unfranked dividend of 5.0 cps was paid in August 2021.

Review and Results of Operations

Profit before tax for the Group was $7,437k (2020: $3,551k). However, the underlying profit before tax excluding one-off relisting and divestment costs ($894k) is $8,331k – a 135% increase.

Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)* was $8,538k (2020: $4,867k). Excluding the relisting & divestment costs EBITDA is $9,432k.

Directors' Report

Review and Results of Operations (continued)

The reconciliation between Profit before tax and EBITDA* is as follows:

	2021 $'000	2020 $'000
Profit before Income Tax	7,437	3,551
Add back/(deduct):		
Depreciation and amortisation expense	849	979
Interest Expense	252	350
Interest Income	-	(13)
EBITDA*	8,538	4,867

*The Directors believe that EBITDA as a non-IFRS profit measure is useful to investors as it provides further information on the Group's underlying profitability and is derived from information that has been audited.

Profit after tax for the Consolidated Group for the year ended 30 June 2021 was $4,927k, which was $2,450k above the prior financial year profit of $2,477k. The tax expense of $2,510k is reduced by carried forward tax offsets and tax payable is $997k.

During the year ITL completed the sale of assets and strategic divestment of its MyHealthTest Pty Ltd business.

Profit after tax for the year ended 30 June 2021 for the Continuing Operations was $4,967k (2020: $3,655k).

Profit after tax for the discontinued operations was $72k (2020: ($1,178k)). This included a profit on sale of assets $235k; assignment of property lease and write back of provisions $79k and; write back of capitalised grant income $363k following the sale of assets. $112k of costs were incurred in selling the business.

Earnings per share for the year ended 30 June 2021 was 7.38 cents compared with the prior year outcome of 3.68 cents per share.

Income tax expense was $2,510k (2020: $1,074k). Tax payable is $997k.

Consolidated revenue was $28,492k an increase of 1% compared with the prior year of $28,167k. Adverse movements in the exchange rate from the financial year 2020 to 2021 had an effect on sales of approximately $(2,230k).

Revenue from continuing operations was $28,381k (2020: 28,138k). Strong growth in the company's bacterial testing kit range (SSK) of over 40% was delivered as new regulatory requirements commence but have been offset to some extent by the Australian operating environment and the adverse exchange rate affect.

Revenue from the discontinued operation was $111k (2020: 29k). Revenue growth in the operation did not eventuate to the level hoped for and was affected by the Pandemic particularly in the corporate programs the business had been developing.

Directors' Report

Review and Results of Operations (continued)

Other Income for the Consolidated Group remained steady at $1,043k (2020: $1,052k). Other Income in the continuing operation of $169k (2020: $213k) included $120k of Pandemic relief subsidies. Other income in the discontinued operation of $874k (2020: $839k) included grant income of $824k.

Group Operating Cashflow for the year ended 30 June 2021 was $6,599k (2020: $4,707k).

Capital expenditure of $2,712k (2020: $872k) primarily related to ITL BioMedical's Malaysian manufacturing facility and product development costs incurred. Product development costs, including increased expenditure for the Point of Care Test, previously had been expensed but following business improvements over preceding periods are now being capitalised in line with AASB138 and company policy.

The net cash position was $419k at 30 June 2021 (2020: ($307k)). The Group's gearing, measured as net debt as a percentage of net debt plus equity, was -3% (2020: 2%).

Strategy and Outlook

ITL has and will continue to focus on improving and growing its core business which develops, manufactures and sells single use safety medical devices into laboratory, clinical and blood markets globally.

Growth in the bacterial screening markets following changes to the regulatory requirements announced by the FDA during the period has commenced and is expected to benefit the business over the coming years both from a full year effect in the USA and from subsequent global expansion. The Group believes it is well positioned to take advantage of this opportunity.

An important statistic is that 36% of our sales this year has been from new products developed in the last 3 years. The Board believes strongly that our growth trajectory will be driven by new products and therefore has set a guideline to invest 15% of sales turnover into new product development to continue sale growth in future years.

As part of ITL's ongoing growth strategy we have identified the Point of Care Test ("POCT") market as a strong fit for ITL's core competencies with significant opportunities in the markets we currently service.

The POCT is a huge global market and is experiencing rapid growth. ITL has been investing over the last 2 years in the development of a POC test that is initially aimed at the Blood Banking markets where we have strong relationships. We currently are in the optimization and development stage and anticipate progressing to clinical trials in the current financial year. This test also has significant potential in Clinical markets.

This year ITL paid out dividends of 9.0 cps (appx. $6m) which has grown from $1.3m in 2019 and $2.7m in 2020 as a direct result of improved business performance and profits. It is the Boards intention to continue the dividend strategy and to deliver returns to shareholders of 40-60% of earnings.

Significant Changes in State of Affairs

The MyHealthTest business was divested at the end of March 2021 due to continued difficulty in gaining commercial traction including the effects of the COVID pandemic. The Board considered the future of the business and decided that the lead times to produce commercial results was too long and that this business was therefore not core to ITL's future success strategies.

Directors' Report

Events After Balance Sheet Date

On 22 July 2021, ITL Health Group Limited declared and paid a final unfranked dividend of 5.0 cents per share for the year ended 30 June 2021.

The Group on 22 July 2021 also formed a Remunerations and Nominations committee and elected Mr. Andrew Turnbull to the chair, who retired from his role as chair of the Audit and Risk Management Committee. Mr. Mark Peatey was elected to the chair of the Audit and Risk Management Committee.

On 1 August 2021 Ms Stephanie Norrell, the Groups VP of Sales & Marketing, was appointed as an executive director of ITL Health Group Limited following nomination and appointment at the Board meeting of 22 July 2021.

Mr. Craig Wilson, the Groups Chief Operating Officer since 2010, was promoted to the position of Chief Executive Officer from 1 August 2021.

On 31 August 2021 Mr William Mobbs will retire from his role as Executive Chairman and will move to a Non-Executive role on the Board.

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

ITL's business operates in different geographic regions and with different product groupings to take advantage of these markets, as well as investing in R&D activities to further grow the company. Each area 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 is also developing a Point of Care Test opportunity for our existing markets including a manufacturing capability to support this range. 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 13485:2016 . 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.

ITL ensures a high level of medical device safety and performance by commitment to meet all regulatory requirements whilst ensuring the medical devices are manufactured under its established Quality Management System. ITL's Quality Management System for Medical Devices Regulations is purposed under the recognised harmonised standards of ISO 13485:2016, and 21 CFR Part 820. Compliance to ITL's quality management system is periodically confirmed by audits or inspection from regulators or its appointed conformity assessment bodies such as TUV SUD, Medical Device Authority of Malaysia and the US food and drug administration. ITL's medical devices are CE marked to MDD/93/42/EEC, MDR 2017/745 and In Vitro Diagnostic Devices under Directive (IVDD) 98/79/EC, registered with the TGA, FDA and Malaysia Medical Device Authority and/or other countries regulatory bodies.

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

Directors' Report

Information on Directors

William Mobbs	-	Founder/Executive Chairman (appointed as Director 18 August 2010 and as Executive Chairman 12 October 2010. To retire from Executive duties 31 August 2021 and move to non-executive role)
Qualifications	-	MBA, BSc, FAICD
Experience and Directorships held in other listed entities	-	Mr Mobbs is a founder of the ITL Group and brings over 27 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. Mr. Mobbs is a former director and chairman of various private and public technology and healthcare companies, as well as a former industry representative to the Therapeutic Goods Administration.

Andrew Turnbull	-	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 owner and non-executive director of a portfolio of private companies. Andrew has extensive experience in establishing and successfully expanding businesses in his previous role as CEO and now as a non-executive director. Andrew has extensive experience in the accounting and advisory sector including his role as founding Partner of Walter Turnbull and Managing Partner of PwC Canberra practice.
Special Responsibilities	-	Chairman of Remuneration and Nomination and Member of Audit and Risk Management Committee

Directors' Report

Mark Peatey	-	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 P2 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.
Special Responsibilities	-	Chairman of Audit and Risk Management Committee and Member of Remuneration and Nominations Committee

Stephanie Norrell	-	Executive Director (appointed 1 August 2021)
Qualifications		Bachelor of Science in Nursing, Registered Nurse
Experience and Directorships held in other listed entities	-	Stephanie Norrell currently serves as Vice President Global Sales and Marketing for ITL. Over the last 20 years she has been responsible for strategy and execution of international sales and marketing. In addition to sales, she is responsible for identifying new markets, new product opportunities, supporting product design, overseeing clinical trials, international product launches, and complex multi-site product implementations. In addition to Global Sales and Marketing, Stephanie is responsible for management of ITL BioMedical North America operations. Previously, Stephanie was the Senior VP of Operations, Blood Services for the American Red Cross, overseeing operations across the United States. Stephanie began her career as a clinical registered nurse

Directors' Report

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 8 formal 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	8	8	-	-
A Turnbull	8	8	3	3
M Peatey	8	8	3	3

Unissued ordinary shares of ITL Health Group Limited under the issue of performance rights outstanding at 30 June 2021 are as follows:

Grant Date	Expiry Date	Exercise Price	Number of rights issued
Nil	-	-	-

During the year 1,141,250 rights lapsed as a result of not meeting the performance conditions.

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 issued one new indemnity during the year or since the end of the financial year to Ms Stephanie Norrell following her appointment as Executive Director.

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 $84,960 for all Directors and Officers.

Directors' Report

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Nexia Sydney Audit Pty Ltd, 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 Nexia Sydney Audit Pty Ltd 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.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 for the year ended 30 June 2021 has been received and is reproduced immediately following the Directors' Report.

Rounding of Amounts

The amounts contained in the accompanying full year financial statements 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 24th day of August 2021

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To the Board of Directors of ITL Health Group Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit director for the audit of the financial statements of ITL Health Group Limited for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Nexia

Nexia Sydney Audit Pty Ltd

Andrew Hoffmann
Director

Date: 24 August 2021

Consolidated Statement of Profit or Loss

for the year ended 30 June

	Note	2021 $000's	2020 $000's
Continuing Operations			
Revenue	**3**	28,381	28,138
Cost of Sales		(12,146)	(12,638)
Gross Profit		16,235	15,500
Other income	**3**	169	213
Salaries and employee benefits expense		(5,175)	(6,619)
Depreciation and amortisation expense	**4**	(262)	(308)
Finance costs	**4**	(243)	(327)
Occupancy expenses		(564)	(569)
R&D expenses – 3rd party		(102)	(437)
Travel and accommodation		(45)	(482)
Audit, legal & insurance		(1,097)	(495)
Sales and marketing		(148)	(535)
Communications		(97)	(156)
Regulatory		(181)	(243)
Strategic planning consulting		(163)	(175)
Foreign exchange loss		(528)	(264)
Other expenses from ordinary activities		(311)	(246)
Total Expenses		(8,916)	(10,856)
Profit before income tax expense		**7,488**	**4,857**
Income tax expense	**5**	(2,521)	(1,202)
Profit for the Year from continuing operations		**4,967**	**3,655**
Discontinued Operations			
Total Income	**7**	985	868
Total Expenses	**7**	(924)	(2,174)
Profit/(Loss) before tax from discontinued operations		**61**	**(1,306)**
Income tax benefit	**5**	11	128
Profit/(Loss) after tax from discontinued operations		**72**	**(1,178)**
Loss on sale of discontinued operation		**(112)**	**-**
Income tax expense	**5**	-	-
Loss after tax from sale of discontinued operation	**7**	**(112)**	**-**
Loss for the year from discontinued operation		**(40)**	**(1,178)**

Consolidated Statement of Profit or Loss

for the year ended 30 June

	Note	2021	2020
		$000's	$000's
Profit before Tax for the Group		**7,437**	**3,551**
Income tax expense	**5**	(2,510)	(1,074)
Profit for the year		**4,927**	**2,477**
Profit attributable to members of the parent		4,927	2,477
Earnings per Share	**9**		
Basic profit per share (cents per share)		7.38 cents	3.68 cents
Diluted profit per share (cents per share)		7.35 cents	3.60 cents
Earnings per Share for continuing operations	**9**		
Basic profit per share (cents per share)		7.44 cents	5.43 cents
Diluted profit per share (cents per share)		7.41 cents	5.31 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 MyHealthTest Pty Ltd.

Consolidated Statement of Other Comprehensive Income

for the year ended 30 June

	2021 $000's	2020 $000's
Profit	**4,927**	**2,477**
Other Comprehensive Income		
Items that may be reclassified subsequently to Profit or Loss		
Exchange differences on translating foreign operations	(368)	(80)
Income tax effect	-	-
Discontinued operations	-	-
Other comprehensive income for the period, net of tax	(368)	(80)
Total comprehensive income attributable to members of the parent	**4,559**	**2,397**

The accompanying notes form part of these financial statements

Consolidated Balance Sheet

as at 30 June

	Note	2021	2020
ASSETS		**$000's**	**$000's**
CURRENT ASSETS			
Cash and cash equivalents	**10**	4,179	4,507
Trade and other receivables	**11**	4,695	4,487
Inventories	**12**	4,528	4,480
Other current assets	**13**	536	675
Income tax receivable	**20**	-	61
TOTAL CURRENT ASSETS		13,938	14,210
NON-CURRENT ASSETS			
Property, plant and equipment	**14**	4,383	5,618
Right-of-use asset	**15**	459	756
Product tooling	**16**	1,139	1,129
Intangible assets	**17**	2,463	362
Deferred tax assets	**20**	228	1,520
TOTAL NON-CURRENT ASSETS		8,672	9,385
TOTAL ASSETS		**22,610**	**23,595**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**18**	2,423	2,629
Borrowings	**19**	2,991	3,308
Lease liabilities	**23**	131	297
Short-term provisions	**21**	772	822
Other liabilities	**22**	-	277
Financial liabilities	**24**	65	-
Income tax liabilities	**20**	997	-
TOTAL CURRENT LIABILITIES		7,379	7,333
NON-CURRENT LIABILITIES			
Borrowings	**19**	769	1,506
Lease liabilities	**23**	87	313
Long-term provisions	**21**	42	55
Other liabilities	**22**	-	411
TOTAL NON-CURRENT LIABILITIES		898	2,285
TOTAL LIABILITIES		**8,277**	**9,618**
NET ASSETS		**14,333**	**13,977**
EQUITY			
Issued capital	**25**	24,080	24,260
Foreign currency translation reserve	**26**	(1,400)	(1,032)
Share based payment Reserve	**26**	-	166
Treasury shares		-	(434)
Accumulated losses		(8,347)	(8,983)
TOTAL EQUITY		**14,333**	**13,977**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

for the year ended 30 June

	Issued Capital	Treasury Shares	Foreign Currency Translation Reserve	Share Based Payment Reserve	Accum. Losses	Total
	$000's	$000's	$000's	$000's	$000's	$000's
Balance at 1 July 2020	**24,260**	**(434)**	**(1,032)**	**166**	**(8,983)**	**13,977**
Profit for the period	-	-	-	-	4,927	4,927
Other comprehensive income	-	-	(368)	-	-	(368)
Total comprehensive income for the year	-	-	(368)	-	4,927	4,559
Transactions with owners in their capacity as owners:						
Dividend paid (note 8)	-	-	-	-	(3,989)	(3,989)
Share buyback	(84)	-	-	-	-	(84)
Equity raising cost	(96)	-	-	-	-	(96)
Share based payments	-	334	-	(368)	-	(34)
Transfers in/(out) between equity accounts	-	100	-	202	(302)	-
Balance at 30 June 2021	24,080	-	(1,400)	-	(8,347)	14,333
Balance at 1 July 2019	**24,260**	**(1,472)**	**(952)**	**1,084**	**(8,730)**	**14,190**
Adjustment for initial adoption of AASB16 from 1 July 2019	-	-	-	-	(70)	(70)
	24,260	(1,472)	(952)	1,084	(8,800)	14,120
Profit for the period	-	-	-	-	2,477	2,477
Other comprehensive income	-	-	(80)	-	-	(80)
Total comprehensive income for the year	-	-	(80)	-	2,477	2,397
Transactions with owners in their capacity as owners:						
Dividend paid (note 8)	-	-	-	-	(2,660)	(2,660)
Share based payments	-	1,038	-	(918)	-	120
Balance at 30 June 2020	**24,260**	**(434)**	**(1,032)**	**166**	**(8,983)**	**13,977**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

for the year ended 30 June

	Note	2021 $000's	2020 $000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax from Continuing Operations		7,488	3,551
Profit before tax from Discontinued Operations		61	-
Non-cash items:			
Depreciation & amortisation		849	979
Net (gain)/loss on disposal of assets		(245)	88
Fair value loss on derivatives		65	-
Unrealised (gain)/loss on foreign currency transactions		(304)	72
Share based payments	34	11	120
Interest on lease liability		28	48
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:			
(Increase) in trade and other receivables		(209)	(1,127)
Decrease/(Increase) in other current assets		124	(169)
(Increase)/Decrease in Inventories		(191)	1,127
Decrease in trade and other payables		(433)	(44)
(Decrease)/Increase in provisions and other liabilities		(475)	96
Income Tax (Paid)		(58)	(34)
Net cash flow from operating activities		6,711	4,707
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for product tooling	16	(156)	(239)
Payment for property, plant and equipment	14	(379)	(542)
Payment for intangible assets	17	(2,177)	(91)
Proceeds from sales of property, plant and equipment		1,055	-
Proceeds from the sales of subsidiary, net of costs to dispose		(112)	-
Net cash flow used in investing activities		(1,769)	(872)
Proceeds from borrowings		149	349
Repayments of borrowings		(980)	(827)
Payment for share buybacks	25	(84)	-
Payment for dividends		(3,989)	(2,660)
Payment for equity raising costs		(96)	-
Repayment of lease liabilities		(259)	(323)
Net cash used in financing activities		(5,259)	(3,461)
NET (DECREASE)/INCREASE IN CASH HELD		(317)	374
Net foreign exchange differences		32	13
Cash at beginning of period	10	3,837	3,450
CASH AT END OF PERIOD	10	3,552	3,837

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. 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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 35.

(a) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2021. 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

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(a) Principles of Consolidation (continued)

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.

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.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(b) Income Tax

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

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.

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.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(b) Income Tax (continued)

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 sharing 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:

Continuing Operations:

ITL BioMedical ("BioMed")

BioMed creates and manufactures leading edge medical devices for the blood banking, blood culture testing and bloodstream infection prevention 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 four 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 and the Quality Management System is EN ISO 13485:2016 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.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(c) Segment Reporting (continued)

Point of Care Test

The Point of Care Test Market is a huge global market and is experiencing rapid growth. ITL has been investing over the last 2 years in the development of a Point of Care Test that is initially aimed at the Blood Banking markets where we have strong relationships. We currently are in the optimization and development stage and anticipate progressing to clinical trials in the current financial year. This test also has significant potential in Clinical markets.

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:

MyHealthTest Pty Ltd (MHT)

MyHealthTest is a direct to consumer pathology service that helps people monitor and manage their health and wellbeing.

The MyHealthTest business was divested at the end of March 2021 due to continued difficulty in gaining commercial traction including the effects of the COVID pandemic. The Board considered the future of the business and decided that the lead times to produce commercial results was too long and that this business was therefore not core to ITL's future success strategies.

(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.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost 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.

Leasehold land previously presented as part of 'property, plant and equipment' until financial year ended 30 June 2019 is now recognised as right-of-use assets with no corresponding liability from 1 July 2019. The carrying amount of leasehold land is depreciated on a straight-line basis on the remaining lease term.

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.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(e) Property, Plant and Equipment (continued)

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
Buildings	2.5%
Furniture & fittings	5-20%
Leasehold improvements	2.6%
Computer & office equipment	5-33.3%
Business development software	20-33%
Product tooling	10-25%
Plant and equipment	5-33.3%

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.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(f) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(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.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The fair value movements are recognised in profit or loss.

Cash flow hedges
Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

(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

The amortisation rates used for each class of assets being amortised are:

Class of Fixed Asset	Depreciation Rate
Computer software	5-33.3%
Patents, Trademarks and Licenses	5-10.0%
Product development cost	10%

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 product.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(i) Intangible Assets (continued)

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-21	**30-Jun-20**
Spot rate		
AUD/MYR	3.1148	2.9437
AUD/USD	0.7506	0.6876
Average rate for the year ended 30 June		
AUD/MYR	3.0762	2.8181
AUD/USD	0.7460	0.6702

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.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(j) Foreign Currency Transactions and Balances (continued)

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.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(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.

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. 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) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(o) Rounding of amounts

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

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(p) Revenue

Revenue from contracts with customers is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Revenue from the sale of goods is recognised at the point in time when customer obtains control of the goods, which is generally at the time of delivery.

Interest revenue is recognised as interest accrues using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue is recognised when it is received or when the right to receive payment is established.

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

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(q) 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.

(r) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(s) 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.

(t) 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.

(u) Comparative figures

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

(v) 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.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(w) 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.

(x) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

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

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

Deferred tax assets and liabilities are always classified as non-current.

(y) 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)

(z) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(aa) 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 2019-1 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 Group has determined that the Australian Accounting Standards and Interpretations that have recently been issued or amended since 30 June 2020 and adopted during the period have not had a material impact to the Group's future financial position, performance and disclosures.

New standards and interpretations not yet adopted:

The following standards, which will become mandatory for the Consolidated Group's 30 June 2022 or subsequent Financial Statements:

AASB 2020-3 Annual Improvements to IFRS Standards 2018-2020 and Other Amendments. This Standard amends:
a) the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
b) AASB 3 to update references to the Conceptual Framework for Financial Reporting;
c) AASB 9 to clarify when the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
d) AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset;
e) AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making; and
f) AASB 141 to align the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.
The interpretation is not effective until 1 January 2022 and the Consolidated Group has not yet determined the potential effect of the standard.

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current. Amends AASB 101 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver, a breach of covenant, or settlement of the liability). The mandatory application date of the amendment has been deferred by 12 months to 1 January 2023.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(aa) New and Revised Accounting Standards (continued)

New standards and interpretations not yet adopted (continued):

AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates. This Standard amends:
a) AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
b) AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
c) AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
d) AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and
e) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The interpretation is not effective until 1 January 2023 and the Consolidated Group has not yet determined the potential effect of the standard.

Note 2: 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.

Notes to the consolidated financial statements

Note 2: Critical Accounting Estimates and Judgements (continued)

(i) Significant accounting judgements (continued)

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 realisable 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.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

The lease term for the leasehold land in Malaysia is based on the remaining term which does not include any potential options for extension of the original term. The leasehold land is a long term lease which will expire in 37 years. Hence the Group will reassess the lease term in future reporting periods up to the time when the initial lease term expires.

(ii) Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangible assets 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.

Notes to the consolidated financial statements

Note 2: Critical Accounting Estimates and Judgements (continued)

(iii) Significant accounting estimates and assumptions (continued)

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 11, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Notes to the consolidated financial statements

Note 3: Revenue and Other Income – Continuing Operations

	2021 $000's	2020 $000's
Revenue		
ITL BioMedical	28,381	28,138
Total Sales Revenue	28,381	28,138
Other Income		
Interest income	-	13
Government grants - pandemic relief	120	157
Other	49	43
Total Other Income	169	213

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

2021

Geographical regions	**Australia $'000**	**USA $'000**	**France $'000**	**Other $'000**	**Total $'000**
Revenue from External customers	9,443	12,169	3,488	3,281	28,381
	9,443	**12,169**	**3,488**	**3,281**	**28,381**
Timing of revenue recognition					
Goods transferred at a point in time	9,443	12,169	3,488	3,281	28,381
	9,443	**12,169**	**3,488**	**3,281**	**28,381**

2020

Geographical regions	**Australia $'000**	**USA $'000**	**France $'000**	**Other $'000**	**Total $'000**
Revenue from External customers	12,289	11,629	2,420	1,800	28,138
	12,289	**11,629**	**2,420**	**1,800**	**28,138**
Timing of revenue recognition					
Goods transferred at a point in time	12,289	11,629	2,420	1,800	28,138
	12,289	**11,629**	**2,420**	**1,800**	**28,138**

Notes to the consolidated financial statements

Note 4: Expenses – Continuing Operations

	2021 $000's	2020 $000's
Depreciation of non-current assets:		
Property, plant and equipment	352	343
Right-of-use assets	143	162
Product tooling	84	75
Total depreciation	579	580
Amortisation of intangible assets	65	93
Total Depreciation and Amortisation	644	673
Less: Depreciation and Amortisation included in Cost of Sales	(382)	(365)
Depreciation and amortisation expense	**262**	**308**
Finance costs		
Interest and finance charges paid/payable on borrowings	224	302
Interest and finance charges paid/payable on lease liabilities	19	25
Finance costs expensed	243	327
Leases		
Lease payments (under AASB 117)	-	-
Short term lease payments	20	19
Low-value assets lease payments	5	6
	25	25
Legal fees	377	352
Audit, accounting and taxation services	547	165
Share-based payments expense	11	120
Post-employment benefits expense:		
Total post-employment benefits expenses	586	582
Expensed to cost of goods sold	(180)	(170)
Post-employment benefits expense	**406**	**412**

Notes to the consolidated financial statements

Note 5: Income Tax Expense

		2021 **$000's**	**2020** **$000's**
a.	The components of tax expense comprise:		
	Current tax	1,202	2
	Deferred tax	1,574	1,050
	(Under)/Over provision in respect of prior years	(266)	22
		2,510	1,074

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

	2021	2020
Profit before income tax	7,437	3,551
Accounting Profit before income tax	7,437	3,551
Prima facie tax payable on profit before income tax at 26% (2020: 27.5%)	1,933	977
Add:		
Tax effect of:		
- other non-allowable items	330	227
- share based payments	218	33
- non-deductible entertainment	1	1
	2,482	1,238
Less:		
Tax effect of:		
- foreign tax rate adjustment	22	63
- other non-allowable items	187	38
- pandemic relief grant	29	41
- (Under)/Over provision for deferred/income tax in prior years	(266)	22
Income tax expense	2,510	1,074
	2,510	1,074

The Consolidated Group operates in a multi-jurisdictional tax environment with differing tax rates over the jurisdictions.

Notes to the consolidated financial statements

Note 6: Auditor's Remuneration:

	2021 $000's	2020 $000's
Amounts received or due and receivable by Nexia Sydney Audit Pty Ltd for:		
An audit or review of the financial report of the entity and any other entity in the Consolidated Group	93	72
Other services in relation to the entity and any other entity in the Consolidated Group	2	-
Amounts received or due and receivable by related practices of Nexia SSY for:		
An audit or review of the financial report of the entity and any other entity in the Consolidated Group	20	27
Other services in relation to the entity and any other entity in the Consolidated Group	-	-
	115	99

Notes to the consolidated financial statements

Note 7: Discontinued Operations

(a) Description

The MyHealthTest business was divested at the end of March 2021 due to continued difficulty in gaining commercial traction including the effects of the COVID pandemic. The Board considered the future of the business and decided that the lead times to produce commercial results was too long and that this business was therefore not core to ITL's future success strategies.

Prior to this MyHealthTest Pty Ltd completed the Cooperative Research Centres Projects (CRC-P) in February 2021 and all capitalised grant income was fully recognized during the financial year amounting to $363k.

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-21 $'000s	30-Jun-20 $'000s
Revenue		111	29
Cost of Sales		(72)	(64)
Gross Profit/(Loss)		39	(35)
Other Income		874	839
Expenses		(843)	(2,087)
Finance Costs		(9)	(23)
Profit/(Loss) before tax from discontinued operation		61	(1,306)
Income Tax benefit		11	128
Profit/(Loss) after tax from discontinued operation		72	(1,178)
Loss on Sale of the discontinued operation		(112)	-
Loss after tax of discontinued operation		(40)	(1,178)

Notes to the consolidated financial statements

Note 7: Discontinued Operations (continued)

(c) Total Consideration Received

Details of the sale of the division

	Note	1-Apr-2021 $'000s
Cash consideration received		-
Less Net assets disposed		-
		-
Incremental costs of disposal		(112)
Loss before tax on sale of discontinued operation		(112)
Income tax expense		-
Loss after tax on sale of discontinued operation		(112)

Net cash outflow on disposal:

Consideration	-
Less consideration not yet received	-
Less costs of disposal	(112)
Reflected in the consolidated statement of cash flows	(112)

(d) Profit on sale of assets and assignment of lease

	$'000s
Cash consideration received	1,050
Less Net book value of asset disposed	(815)
	235
Assignment of lease benefit	79
Profit on sale of assets & assignment of lease	314

(e) Cash Flow Analysis

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

Operating activities	(1,021)
Investing activities	1,031
Financing activities	(122)
Net cash inflow/(outflow)	(112)

Notes to the consolidated financial statements

Note 8: Dividends Paid and Proposed

	2021 $000's	2020 $000's
Declared and paid during the year:		
Dividends on ordinary shares:		
Interim unfranked dividend for 2021: Four cents per share (2020: two cents per share)	2,670	1,330
Final unfranked dividend for 2020: Two cents per share (2019: two cents per share)	1,319	1,330
Dividends paid	**3,989**	**2,660**
Declared after the year end:		
Final unfranked dividend for 2021: Five cents per share (2020: two cents per share)	3,338	1,317
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 9: Earnings Per Share

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

	2021 $000's	2020 $000's
EPS is calculated based on:		
Profit from continuing operations	4,967	3,655
Loss from discontinued operations	(40)	(1,178)
Profit for the year	4,927	2,477
	000's	**000's**
Weighted average number of ordinary shares used in the calculation of basic EPS	66,768	67,338
Weighted average number of options outstanding	244	1,479
Weighted average number of ordinary shares used in the calculation of dilutive EPS	67,012	68,817
Basic earnings per share (cents)	**7.38**	**3.68**
Dilutive earnings per share (cents)	**7.35**	**3.60**
Continuing Operations:		
Basic earnings per share (cents)	**7.44**	**5.43**
Dilutive earnings per share (cents)	**7.41**	**5.31**

Notes to the consolidated financial statements

Note 10: Cash and Cash Equivalents

	2021 $000's	2020 $000's
Cash on hand	1	-
Cash at bank	4,178	4,507
Total cash and cash equivalents	**4,179**	**4,507**
Overdrafts	**(627)**	**(670)**
Cash and cash equivalents for cash flow statement	**3,552**	**3,837**

Note 11: Trade and Other Receivables

	2021 $000's	2020 $000's
Current		
Trade receivables	4,584	4,422
Allowance for impairment loss	(1)	(3)
Other receivables	112	65
Accrued revenue	-	3
	4,695	**4,487**

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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

	2021 $000's	2020 $000's
Balance at 1 July	3	7
Amounts written off	(1)	(3)
Charge for the year	(1)	(1)
Balance at 30 June	**1**	**3**

Notes to the consolidated financial statements

Note 12: Inventories

	2021 $000's	2020 $000's
Current		
Raw materials and stores	1,540	1,819
Work in progress	626	503
Finished goods	2,362	2,158
	4,528	**4,480**

Note 13: Other Current Assets

	2021 $000's	2020 $000's
Deposits to suppliers	147	145
Prepayments	389	530
	536	**675**

Notes to the consolidated financial statements

Note 14: Property, Plant and Equipment

	2021 $000's	2020 $000's
Land and buildings		
Land and buildings	885	936
Less: accumulated depreciation	(167)	(153)
Total land and buildings	**718**	**783**
Total land and buildings	**718**	**783**
Plant and equipment		
Furniture & fittings at cost	178	298
Less : accumulated depreciation and impairment	(91)	(160)
Total furniture & fittings	**87**	**138**
Computer & office equipment at cost	237	264
Less : accumulated depreciation and impairment	(117)	(145)
Total computer & office equipment	**120**	**119**
Plant & Equipment at Cost	3,003	4,610
Less : accumulated depreciation and impairment	(964)	(1,527)
Total Plant & Equipment	**2,039**	**3,083**
Leasehold improvements at cost	1,679	2,341
Less : accumulated depreciation and impairment	(260)	(846)
Total leasehold improvements	**1,419**	**1,495**
Total plant and equipment	**3,665**	**4,835**
Total property, plant and equipment	**4,383**	**5,618**

Notes to the consolidated financial statements

Note 14: 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
Cost or Valuation						
At 30 June 2019	**1,289**	**285**	**237**	**4,176**	**2,363**	**8,350**
Additions	-	14	31	492	5	542
Exchange Differences	(21)	(1)	(2)	(40)	(27)	(91)
Disposals	-	-	(2)	(18)	-	(20)
Transfer (Adoption AASB 16 Leases)	(332)	-	-	-	-	(332)
At 30 June 2020	**936**	**298**	**264**	**4,610**	**2,341**	**8,449**
Additions	-	4	50	276	49	379
Exchange Differences	(51)	(11)	(8)	(164)	(95)	(329)
Disposals	-	(113)	(83)	(1,705)	(616)	(2,517)
Transfer	-	-	14	(14)	-	-
At 30 June 2021	**885**	**178**	**237**	**3,003**	**1,679**	**5,982**
Accumulated Amortisation						
At 30 June 2019	**174**	**142**	**115**	**1,107**	**804**	**2,342**
Depreciation	25	19	33	439	47	563
Exchange Differences	(4)	(1)	(1)	(18)	(5)	(29)
Disposals	-	-	(2)	(1)	-	(3)
Transfer (Adoption AASB 16 Leases)	(42)	-	-	-	-	(42)
At 30 June 2020	**153**	**160**	**145**	**1,527**	**846**	**2,831**
Depreciation	22	17	34	383	43	499
Exchange Differences	(8)	(6)	(3)	(48)	(13)	(78)
Disposals	-	(80)	(59)	(898)	(616)	(1,653)
At 30 June 2021	**167**	**91**	**117**	**964**	**260**	**1,599**
Net Book Value						
30 June 2020	**783**	**138**	**119**	**3,083**	**1,495**	**5,618**
30 June 2021	**718**	**87**	**120**	**2,039**	**1,419**	**4,383**

Notes to the consolidated financial statements

Note 15: Right-of-use asset

	2021 $000's	2020 $000's
Leasehold land	314	332
Less: Accumulated depreciation	(54)	(49)
	260	**283**
Buildings	530	1,003
Less: Accumulated depreciation	(331)	(530)
	199	**473**
Total right of use asset	**459**	**756**

During the period MyHealthTest Pty Ltd entered an agreement to assign its lease to Trajan Scientific Australia Pty Ltd as part of its sale of assets agreement.

The Group leases offices under agreements of two years, and in some cases with options to extend. The leases have various escalation clauses. The terms of the leases are renegotiated upon renewal. Land in Malaysia is under a long term lease type arrangement which is fully paid up front and has a further 37 years on the initial lease period, with an option to extend further up to 99 years subject to the approval of local authorities.

The Group leases office equipment under agreements of between less than a year to three years. These leases are either short-term or low-value, and have therefore been expensed as incurred and not capitalised as right-of-use assets.

Notes to the consolidated financial statements

Note 16: Product Tooling

	2021 $000's	2020 $000's
Product tooling:		
At cost	1,723	1,655
Less : accumulated depreciation	(584)	(526)
Total product tooling	**1,139**	**1,129**

Movements in carrying amounts

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

Cost	$000's
At 30 June 2019	**1,454**
Additions	239
Exchange Differences	(22)
Disposals	(16)
At 30 June 2020	**1,655**
Additions	156
Exchange Differences	(86)
Disposals	(2)
At 30 June 2021	**1,723**

Accumulated Amortisation	
At 30 June 2019	**460**
Amortisation	75
Exchange Differences	(9)
Disposals	-
At 30 June 2020	**526**
Amortisation	84
Exchange Differences	(26)
Disposals	-
At 30 June 2021	**584**

Net Book Value	
30 June 2020	**1,129**
30 June 2021	**1,139**

Notes to the consolidated financial statements

Note 17: Intangible Assets

	2021	2020
	$000's	$000's
Business development software at cost	1,212	2,151
Less: accumulated amortisation and impairment	(1,195)	(2,107)
	17	**44**
Patents, trademarks and licenses at cost	456	504
Less: accumulated amortisation and impairment	(102)	(186)
	354	**318**
Product development costs at cost	2,101	1,458
Less: accumulated amortisation and impairment	(9)	(1,458)
	2,092	**-**
Goodwill on acquisition of subsidiary	-	2,575
Less: accumulated amortisation and impairment	-	(2,575)
	2,463	**362**

Product development costs include capitalisation of product and process design and development costs which will be amortised in accordance with AASB138 *Amortisation of Intangible Assets* over the useful life of those assets

Notes to the consolidated financial statements

Note 17: 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:

	Business Development software	Patents, trademarks and licenses	Product development costs	Goodwill on acquisition	Total
	$000's	$000's	$000's	$000's	$000's
Cost or Valuation					
At 30 June 2019	**2,152**	**477**	**1,458**	**2,575**	**6,662**
Additions	-	91	-	-	91
Exchange Differences	(1)	-	-	-	(1)
Disposals	-	(64)	-	-	(64)
At 30 June 2020	**2,151**	**504**	**1,458**	**2,575**	**6,688**
Additions	-	76	2,101	-	2,177
Exchange Differences	(2)	-	-	-	(2)
Disposals	(937)	(124)	(1,458)	(2,575)	(5,094)
At 30 June 2021	**1,212**	**456**	**2,101**	**-**	**3,769**
Accumulated Amortisation					
At 30 June 2019	**2,043**	**169**	**1,458**	**2,575**	**6,245**
Amortisation	65	27	-	-	92
Exchange Differences	(1)	-	-	-	(1)
Disposals	-	(10)	-	-	(10)
At 30 June 2020	**2,107**	**186**	**1,458**	**2,575**	**6,326**
Amortisation	25	30	9	-	64
Exchange Differences	-	-	-	-	-
Disposals	(937)	(114)	(1,458)	(2,575)	(5,084)
At 30 June 2021	**1,195**	**102**	**9**	**-**	**1,306**
Net Book Value					
30 June 2020	**44**	**318**	**-**	**-**	**362**
30 June 2021	**17**	**354**	**2,092**	**-**	**2,463**

Notes to the consolidated financial statements

Note 18: Trade and Other Payables

	2021 $000's	2020 $000's
Current		
Unsecured liabilities		
Trade payables	1,087	934
Sundry payables and accrued expenses	1,336	1,695
	2,423	**2,629**

Note 19: Borrowings

	2021 $000's	2020 $000's
Current		
Secured liabilities		
Bank overdraft	627	670
Bankers Acceptances	1,848	1,957
Bank loans	301	332
Non-bank finance	92	151
Equipment financing	123	198
	2,991	**3,308**
Non Current		
Secured liabilities		
Bank loans	628	986
Non-bank finance	-	2
Equipment financing	141	518
	769	**1,506**
Bank overdraft	627	670
Bankers acceptances	1,848	1,957
Bank loans	929	1,318
Non-bank finance	92	153
Equipment financing	264	716
Total Borrowings	**3,760**	**4,814**
The carrying amounts of assets pledged as security are:		
First mortgage		
Buildings	718	783
Right of use asset – Leasehold land	260	283
Other assets pledged as security	21,632	22,529
Total assets pledged as security	22,610	23,595

ITL Asia Pacific Sdn Bhd has term loan, overdraft, bankers' acceptance, hire purchase and other finance facilities including one bank guarantee equivalent to $78,656 (RM 245,000) provided to the local Malaysian power company. These facilities are secured by registered 1st to 6th legal charges over the company's factory at Bemban in Malaysia, 1st to 7th debenture charges over both current and future fixed and floating assets of the company and parent entity corporate guarantees.

ITL Health Group Limited has taken specialist equipment finance facilities which are secured by the financed equipment.

Notes to the consolidated financial statements

Note 19: Borrowings (continued)

ITL Health Group Limited has also provided a corporate guarantee to the US landlord.

The Bank guarantee supplied by MyHealthTest Pty Ltd to the landlord has been returned and cancelled in July 2021 and the security supplied by ITL Health Group Limited released.

Note 20: Tax Assets / (Liabilities)

	2021	2020
Current	**$000's**	**$000's**
Income tax receivable	-	61
Income tax payable	997	-

Non-Current	**Opening Balance $000's**	**Charged to Income/Used $000's**	**Closing Balance $000's**
Deferred Tax Asset			
Property, Plant & Equipment	163	(470)	(307)
R&D eligible expenditure (refer Note 2 (i))	636	(636)	-
Other	721	(186)	535
Balance at 30 June 2021	**1,520**	**(1,292)**	**228**
Property, Plant & Equipment	330	(167)	163
R&D eligible expenditure (refer Note 2 (i))	1,684	(1,048)	636
Other	605	116	721
Balance at 30 June 2020	**2,619**	**(1,099)**	**1,520**

Note 21: Provisions	**2021 $000's**	**2020 $000's**
Current		
Employee benefits	772	822
	772	**822**
Non-current		
Employee benefits	42	55
	42	**55**

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 22: Other liabilities	2021 $000's	2020 $000's
Current		
Deferred grant income	-	277
	-	**277**
Non-current		
Deferred grant income	-	411
	-	**411**

Following completion of the CRC-P project in February 2021 in MyHealthTest Pty Ltd and the sale of business, provisions for deferred grant income have been fully amortised to profit.

Note 23: Lease liabilities

	2021 $000's	2020 $000's
Current		
Lease liabilities	131	297
	131	**297**
Non-current		
Lease liabilities	87	313
	87	**313**

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

MyHealthTest Pty Ltd has been assigned the lease of its offices to Trajan Scientific Australia Pty Ltd.

Note 24: Financial liabilities - derivatives

	2021 $000's	2020 $000's
Forward foreign exchange contracts	**65**	**-**

ITL Health Group Limited entered forward foreign exchange contracts to manage some of the transaction exposure. These contracts are entered into for periods consistent with currency transaction exposure and fair value changes exposure. The forward foreign exchange contracts are used to hedge the US dollar transactions.

Refer to note 33 for further information on financial instruments.

Notes to the consolidated financial statements

Note 25: Issued Capital

(a) Ordinary shares

	2021 $000's	2020 $000's
At beginning of reporting period	24,260	24,260
Share Buy back (i)	(84)	-
Equity raising cost	(96)	-
	24,080	**24,260**

	No. 000's	No. 000's
At beginning of reporting period	67,338	67,338
Share Buy back (i)	(578)	-
	66,760	**67,338**

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.

		2021	2020
(i)	Buy back average price	$0.145	-
	Buy back price range	$0.145	-
	Total cost of buy back $'000s	84	-

Notes to the consolidated financial statements

Note 25: Issued Capital (continued)

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.

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:

	Note	2021 $000's	2020 $000's
Total borrowings	19	3,760	4,814
Less cash and cash equivalents	10	(4,179)	(4,507)
Net (cash)/debt		(419)	307
Total equity		14,332	13,977
Total Net Debt and Equity		13,913	14,284
Gearing ratio (Net Debt/Net Debt + Equity)		-3%	2%

Notes to the consolidated financial statements

Note 26: Reserves

	2021 $000's	2020 $000's
(a) Foreign Currency Translation Reserve		
At beginning of year	(1,032)	(952)
Foreign Currency translation differences	(368)	(80)
	(1,400)	(1,032)
(b) Share Based Payment Reserve		
At beginning of year	166	1,084
Share Based Payment provision	(468)	(918)
Transferred to Accumulated losses	302	-
	-	**166**

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 27: Capital and Leasing Commitments

	2021 $000's	2020 $000's
(a) Low value lease commitments		
Non-cancellable leases that are low value leases that are contracted for but not capitalised in the financial statements:		
Payable		
- not later than 1 year	5	6
- later than 1 year but not later than 5 years	4	10
- later than 5 years	-	-
	9	16

Low value leases relates to office equipment with terms that are expected to conclude within 1 to 3 years.

Notes to the consolidated financial statements

Note 27: Capital and Leasing Commitments (continued)

	2021 $000's	2020 $000's
(b) Capital commitments		
Payable		
- not later than 1 year	1,033	14
- later than 1 year but not later than 5 years	-	-
- later than 5 years	-	-
	1,033	14

Capital commitments relate to property, plant & equipment and product tooling in ITL Asia Pacific Sdn. Bhd and product development cost in ITL Corporation Pty Ltd.

Note 28: Cash Flow Information

	2021 $000's	2020 $000's
(a) Credit Standby Arrangements with Bank		
Credit facility	851	900
Amount utilised	(627)	(670)
	224	230

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

	2021 $000's	2020 $000's
Loan facility	786	1,073
Amount utilised	(786)	(1,073)
	-	-

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.

Notes to the consolidated financial statements

Note 28: Cash Flow Information (continued)

	2021 $000's	2020 $000's
(c) Bankers Acceptances		
Credit facility	1,848	1,957
Amount utilised	(1,848)	(1,957)
	-	-

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

(d) Hire Purchase

Credit facility	143	245
Amount utilised	(143)	(245)
	-	-

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	92	153
Amount utilised	(92)	(153)
	-	-

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.

(f) Equipment financing

Credit facility	264	716
Amount utilised	(264)	(716)
	-	-

The group has arranged financing with specialist equipment financier for specific asset purchases.

Notes to the consolidated financial statements

Note 28: Cash Flow Information (continued)

Reconciliation of Liabilities arising from financing activities

	2020	Cash flows	Non cash Foreign exchange movement	2021
Credit Standby	670	(7)	(37)	627
Term Loans	1,073	(228)	(59)	786
Bankers Acceptance	1,957	(2)	(108)	1,848
HP	246	(88)	(13)	143
Non Bank Finance	153	(61)	-	92
Equipment financing	715	(452)	-	264
	4,814	**(836)**	**(217)**	**3,760**

	2019	Cash flows	Non cash Foreign exchange movement	2020
Credit Standby	822	(139)	(13)	670
Term Loans	1,339	(245)	(21)	1,073
Bankers Acceptance	1,988	-	(31)	1,957
HP	194	55	(3)	246
Non Bank Finance	244	(91)	-	153
Equipment financing	911	(196)	-	715
	5,498	**(616)**	**(68)**	**4,814**

Notes to the consolidated financial statements

Note 29: 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 19: Borrowings.

Note 30: Controlled Entities

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%) 2021	Percentage Owned (%) 2020
Ultimate Parent Entity			
ITL Health Group Limited	Australia	-	-
Subsidiaries of ITL Health Group Limited:			
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%
MyHealthTest Pty Ltd	Australia	-	100%
ITL Australia Pty Ltd	Australia	100%	100%
EIP Nominees Pty Ltd	Australia	100%	100%

(b) Entities subject to class order relief

Following the divestment of MyHealthTest Pty Ltd on 1 April 2021 MyHealthTest Pty Ltd exited from the Deed of Cross Guarantee by notice of disposal. ITL Health Group Limited, ITL Corporation Pty Limited, ITL Australia Pty Ltd and Noble House Group Pty Limited are parties to a deed of cross guarantee. 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 31: Related Party Transactions

Parent entity
ITL Health Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 30(a).

Transactions with related parties
The following transactions occurred with related parties:

(i) **Directors**

No related party transactions other than the director fees in relation to their service as directors.

(ii) **Key Management Personnel**

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

	2021	**2020**
	$000's	**$000's**
Short term employee benefits	2,185	2,138
Post-employment benefits	111	114
Long term benefits	30	26
Share Based Payments - Shares	-	-
Options	10	83
Termination Benefit	-	-
Total KMP Remuneration	**2,336**	**2,361**

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

Receivable from and payable to related parties
There were no amounts receivable from or payable to related parties at the current and previous reporting date.

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

Notes to the consolidated financial statements

Note 32: Events After Balance Sheet Date

On 22 July 2021, ITL Health Group Limited declared and paid a final unfranked dividend of 5.0 cents per share for the year ended 30 June 2021.

The Group on 22 July 2021 also formed a Remunerations and Nominations committee and elected Mr. Andrew Turnbull to the chair, who retired from his role as chair of the Audit and Risk Management Committee. Mr. Mark Peatey was elected to the chair of the Audit and Risk Management Committee.

On 1 August 2021 Ms Stephanie Norrell, the Groups VP of Sales & Marketing, was appointed as an executive director of ITL Health Group Limited following nomination and appointment at the Board meeting of 22 July 2021.

Mr. Craig Wilson, the Groups Chief Operating Officer since 2010, was promoted to the position of Chief Executive Officer from 1 August 2021.

On 31 August 2021 Mr William Mobbs will retire from his role as Executive Chairman and will move to a Non-Executive role on the Board.

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 33: Financial Instruments

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. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments.

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.

Notes to the consolidated financial statements

Note 33: Financial Instruments (continued)

(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 2021 approximately 13% (2020: 23%) of the Group's debt of $3,760k (2020: $4,814k) 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**	
	2021	**2020**	**2021 $000's**	**2020 $000's**
Floating rate instruments	4.45%	5.03%	3,261	3,700
Fixed rate instruments	5.66%	6.34%	499	1,114
			3,760	**4,814**

(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.

Notes to the consolidated financial statements

Note 33: Financial Instruments (continued)

(c) Liquidity risk (continued)

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.

2021 $'000	Interest Rate range	On demand	Due < 1 year	Due 1 – 2 years	Due 2 – 5 years	Due > 5 years	Total
Bank overdraft	6.90%-7.15%	-	627	-	-	-	627
Bankers Acceptances	3.47%-3.83%	-	1,848	-	-	-	1,848
Bank loans	3.50%-3.75%	-	236	245	305	-	786
Non-bank loans	7.60%-7.47%	-	92	-	-	-	92
Equipment Financing	5.76%	-	123	141	-	-	264
Hire purchase	4.25%	-	66	39	38	-	143
Trade and other payables	-	-	2,423	-	-	-	2,423
Bank guarantees	-	79	-	-	-	-	79
Financial liabilities - Derivatives	-	-	65	-	-	-	65
Interest expected	-	-	174	33	17	-	224
Total Financial Liabilities		79	5,654	458	360	-	6,551

2020 $'000	Interest Rate range	On demand	Due < 1 year	Due 1 – 2 years	Due 2 – 5 years	Due > 5 years	Total
Bank overdraft	7.15%-8.15%	-	670	-	-	-	670
Bankers Acceptances	3.83%-5.01%	-	1,957	-	-	-	1,957
Bank loans	3.75%-8.4%	-	239	248	586	-	1,073
Non-bank loans	3.57%-7.47%	-	151	2	-	-	153
Equipment Financing	5.76%-7.91%	-	198	518	-	-	716
Hire purchase	4.25%	-	94	69	82	-	245
Trade and other payables	-	-	2,906	-	-	-	2,906
Bank guarantees	-	196	-	-	-	-	196
Interest expected	-	-	259	76	65	-	400
Total Financial Liabilities		196	6,474	913	733	-	8,316

(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 2021 was less than 1% of debt. Credit risk from balances with banks is managed by Head Office and at 30 June 2021 99% of cash balances were held with Commonwealth Bank of Australia and 1% with Maybank Malaysia.

Notes to the consolidated financial statements

Note 33: Financial Instruments (continued)

(d) Credit risk (continued)

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.

	2021 $000's	2020 $000's
Trade Receivables Ageing Analysis		
Current	3,867	3,828
1 to 30 days	483	423
31 to 60 days	194	113
61 to 90 days	13	4
91 to 120 days	21	-
Over 120 days	6	54
Provisions for impairment	(1)	(3)
	4,583	**4,419**
Balances that are past due but not impaired	716	591

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): -

	2021 $000's	2020 $000's
Australia	1,317	1,260
USA	2,030	2,318
France	655	532
Other	581	309
	4,583	**4,419**

Fair Values

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Notes to the consolidated financial statements

Note 33: Financial Instruments (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:

	2021	**2020**
	$000's	**$000's**
Total Floating Rate Borrowings	3,261	3,700
Less Cash and Cash Equivalents	(4,179)	(4,507)
Net (Cash)/Debt	(918)	(807)

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:

	2021	**2020**
	$000's	**$000's**
Change in profit after tax		
Increase in interest rates by 1%	**7**	**6**
Decrease in interest rates by 1%	**(7)**	**(6)**
Change in equity		
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 2021, the Group had the following material exposure to foreign currency that is not designated in cash flow hedges:

		2021	**2020**
		000's	**000's**
Trade & Other Receivables	USD	3,424	3,305
	EUR	4	13
	MYR	118	145
Trade & Other Payables	USD	550	250
	EUR	177	256
	MYR	672	682

Notes to the consolidated financial statements

Note 33: Financial Instruments (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:

	2021 $000's	2020 $000's
Change in profit after tax		
Increase in AUD to USD by 5%	(535)	(391)
Increase in AUD to MYR by 5%	298	275
Increase in AUD to EUR by 5%	55	49
Decline in AUD to USD by 5%	535	391
Decline in AUD to MYR by 5%	(298)	(275)
Decline in AUD to EUR by 5%	(55)	(49)
Change in equity		
Increase in AUD to USD by 5%	(37)	(35)
Increase in AUD to MYR by 5%	(307)	(272)
Decline in AUD to USD by 5%	37	35
Decline in AUD to MYR by 5%	307	272

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.

Note 34: Share-based Payments

(a) Executive Share Plan

There were no shares or options issued under the executive share plan during the year.

(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 34: 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	Vested during the year	Lapsed during the year	Balance at end of the year	Value per entitlement
Sept 2017 LTI Offer	1/9/2020	1,141,250	-	(1,141,250)	-	$0.2470

There were nil rights vested during the reporting period having not met the performance conditions. 1,141,250 rights lapsed during the period.

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 2021 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:

	2021 $000's	2020 $000's
Amounts expensed in accordance with AASB2	11	120
	11	120

Notes to the consolidated financial statements

Note 35: Parent Entity Information

Financial Position	**2021 $000's**	**2020 $000's**
Assets		
Current Assets	1,360	2,228
Non Current Assets	10,303	23,362
Total Assets	11,663	25,590
Liabilities		
Current Liabilities	3,616	1,553
Non Current Liabilities	13,333	12,113
Total Liabilities	16,949	13,666
Equity		
Issued Capital	24,080	24,260
Retained Earnings	(18,808)	(10,746)
Reserves	(302)	(268)
Total Equity	4,969	13,246
Financial Performance		
Profit/(Loss) for the year	(10,255)	(1,322)
Other comprehensive income	-	-
Total Comprehensive Income	(10,255)	(1,322)

The parent entity received nil dividends from other entities within the Group during 2021 (2020: Nil).

There are no contingent assets or liabilities other than those disclosed in Notes 19 and 28.

The loan to MyHealthTest Pty Ltd of $8.4million from the parent entity was written off during 2021 upon divested.

The company has guaranteed the banking facilities of a number of subsidiaries as detailed in Note 19. 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:

	30 June 2021 Face Value $'000	**30 June 2020 Face Value $'000**
Bank Loans of Controlled Entities	2,777	3,275

There is $1,033k of capital commitments at 30 June 2021 (2020: $14k Capital commitments).

Note 36: Company Details

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

ITL Health Group Limited
Level 3
59 Wentworth Avenue,
Kingston, Canberra, ACT 2604
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 2021 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 30 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 24th day of August 2021

Nexia Australia

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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 subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors are responsible for the other information. The other information comprises the information in ITL Health Group Limited's annual report for the year ended 30 June 2021, 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. 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, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility 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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

Nexia

Nexia Sydney Audit Pty Ltd

Andrew Hoffmann
Director

Dated: 24 August 2021

Corporate Directory

Directors

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

Company Secretary

Mr Trevor Doolan

Registered Office

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Share Registry

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Auditor

Nexia Sydney Audit Pty Ltd