Annual Report 2008

ImpediMed Limited Annual Report 2008

Surviving cancer without compromising lifestyle

IMPEDIMED IS FOCUSED ON BECOMING THE LEADING GLOBAL SUPPLIER OF NON-INVASIVE MEDICAL DEVICES FOR FLUID STATUS MONITORING IN PATIENTS

It is primarily focused on two key under-served health care markets:

The clinical assessment of individuals at risk of secondary lymphoedema – where ImpediMed's products can help assist clinicians in the earlier detection and treatment of lymphoedema to help prevent the condition from progressing; and

Monitoring of body fluid status – where ImpediMed is aiming to set a new standard in device accuracy for rapid point-of-care analysis for fluid status

Annual General Meeting

The Annual General Meeting of the Company will be held at 11.00am on Friday 31 October 2008 at Tattersalls Club, cnr Queen and Edward Streets, Brisbane.

ImpediMed Limited ABN 65 089 705 144

Chairman and CEO's Report

Mel Bridges Chair

Greg Brown Chief Executive Officer & Managing Director

Dear ImpediMed Shareholder,

During the past fiscal year your company has made significant progress towards realising the milestones listed in the company's prospectus, and importantly positioning ImpediMed as a major player in medical devices in its key focus market area – ie. cancer related lymphoedema disorders. During the year the company continued its efforts in building awareness of both the magnitude and the significant health consequences of untreated secondary lymphoedema – an important area of unmet medical need. ImpediMed's medical devices clearly address this key market as well as addressing a wide range of other important medical conditions related to body fluid status.

Lymphoedema is a condition that can cause significant swelling of the upper and lower extremities due to the build-up of excess lymph fluid. This can occur when the lymphatic system, which is responsible for draining waste fluid from the body and is a key component of the immune system, is damaged or altered. In breast cancer patients, this can occur after surgery, such as removal or biopsy of the lymph nodes, and/or radiation therapy. It is estimated that 6 percent to 40 percent of patients with breast cancer develop lymphoedema, and that it often occurs within the first two years after surgery. For some cancer survivors and others at risk, a low level lymphoedema can occur 10 years to 15 years following the initial primary treatment and develop into a condition that has a serious impact on health and quality of life.

ImpediMed is the world leader in the development and distribution of medical devices employing Bioimpedence Spectroscopy (BIS) technologies for use in the non-invasive clinical assessment and monitoring of human disorders and diseases impacting body fluid status. ImpediMed's primary product range consists of a number of medical devices that enable surgeons, oncologists, therapists and radiation oncologists to clinically assess patients early for the potential onset of secondary lymphoedema. Preoperative assessment has been demonstrated to enable the early diagnosis and successful treatment of lymphoedema. Preoperative clinical assessment in breast cancer survivors, before the onset of symptoms, may prevent the condition from becoming a lifelong management issue and thus improve the quality of life of the cancer survivor. ImpediMed has the only medical device with FDA clearance in the United States for the clinical assessment, by health care providers, of secondary lymphoedema of the arm in women.

In this key growth area your company has demonstrated the potential to tap into a growing opportunity for revenue streams, in what has been clearly identified as an underserved medical market.

With the view to building a strong and growing global business around this market opportunity we have been steadily building a team of healthcare professionals focused on fast tracking a number of initiatives targeted at education and awareness around this important medical disorder and in the benefits of preoperative assessment as a means of potentially preventing its progression.

These programs are focused on, not only patients, but also on oncologists, breast cancer surgeons and radiation oncologists. ImpediMed is fortunate to now be supported by a growing number of peer-reviewed clinical studies covering Bioimpedance Spectroscopy (BIS) as a preferred technology for the early detection of lymphoedema, and the benefits of early detection/early intervention. This has led to an impressive number of leading international publications. This year alone saw significant publications emerge around the benefits of early detection and in the use of ImpediMed technology. In the journal *Cancer*[1], a publication demonstrated the benefits of preoperative assessment for the early detection and intervention of lymphoedema for preventing it progression – this publication used a standarised volumetric technique. The *Journal of Clinical Oncology*[2] and *Lymphology*[3] showed directly the performance of ImpediMed's technology as being superior in achieving early detection versus today's standards (including volumetric techniques).

Through the efforts of key opinion moulders in this key medical area, the company is now experiencing a significant shift in medical, patient and public opinion, in recognising the importance of adopting preoperative assessment as a "standard of care" for cancer patients. ImpediMed is in the forefront of supporting this new clinical approach with the first FDA cleared device for the clinical assessment for unilateral lymphoedema of the arm.

1. Preoperative Assessment Enables the Early Diagnosis and Successful Treatment of Lymphoedema, *Cancer* Vol 112/ Issue 12, June15, 2008 pp. 2809-2819.

2. Lymphedema After Breast Cancer: Incidence, Risk Factors and Effect on Upper Body Function, *Journal of Clinical Oncology* Vol. 26 No. 21 (July 20), 2008, pp. 3536-3542.

3. Lymphoedema Secondary to Breast Cancer: How Choice of Measure Influences Diagnosis, Prevalence and Identifiable Risk Factors, *Lymphology* 41 (2008) pp. 18-28.

Chairman and CEO's Report (continued)

Management have been encouraged by the high level of media coverage we have received both in the US and locally. The level of media received, particularly in the US, has clearly placed lymphoedema on the US healthcare agenda. Studies have shown that in the US market alone, post-mastectomy (surgery intervention) patients have a lymphoedema incidence rate as high as 49 percent. The US National Cancer Institute Newsletter, April 2007, stated that **32 percent of women aged 45 years and younger** treated for breast cancer had persistent swelling in the hand and/or arm three years after surgery. The incidence of episodic swelling was 54%. In the pelvic cancer survivor population, the lymphoedema incidence rate can be as high as 67 percent. Through numerous studies over the last ten years, it has been demonstrated that ImpediMed's technology can detect the onset of this debilitating medical disorder significantly earlier than other current forms of clinical practice.

In using BIS (ImpediMed's patented technology platform) as the most direct technology for clinical assessment, ImpediMed devices are targeted at driving a fundamental change in the way current medical pratice in this area is conducted – ie. the assessment of, and management of, lymphoedema. The new preoperative approach ImpediMed is seeking to drive into clinical practice, uses our FDA cleared device, to enable clinicians the opportunity to protect their cancer patient's quality of life through pre-emptive care.

During fiscal 2008, the company made significant inroads in creating awareness of our technology and lymphoedema in the breast cancer area, where the survivor population is a highly influential group in patient advocacy. Building on this, one of the most notable achievements in preparing the path to this market was the development and submission to the FDA of our L-Dex U400 device. The lodgement of the FDA submission for this device further builds what is an existing and impressive portfolio of devices aimed at providing physicians with a critical device "tool box" allowing the early clinical assessment of unilateral lymphoedema of the arm following breast cancer intervention.

The total available market (TAM) for device sales in the breast and pelvic cancer markets is US$4.4B, with an annual consumables market of US$0.5B, based on a device sale and supply model. Further to the company's L-Dex U400 device, follow-on generations of products under development include devices for unilateral leg and bilateral arm and leg applications. Due to the underlying strength in its technology platform and the building patent position, ImpediMed is well positioned in the markets in which it competes.

In terms of preparing the market, perhaps one of the most critical advances made this last year has been in significantly advancing US reimbursement strategies for use of ImpediMed's technology. A reimbursement hot-line to assist physicians with the sometimes arduous process of medical reimbursement in the US will soon be operational. With stage 1 of ImpediMed's reimbursement strategies in place the company can now move to expand our direct sales force in the US, confident that in many parts of the country ImpediMed now has a product which has the potential for good reimbursement returns.

During fiscal 2008 management focused on key strategic initiatives specifically aimed at increasing our presence in the global marketplace. In October 2007, the company raised approximately $18M (AU) with our successful Initial Public Offering (IPO) on the Australian Stock Exchange (ASX). Your board is extremely pleased in the manner in which the stock has held up during recent market turbulence. In the past fiscal year the company has made a significant push into the US market. In October 2008, we completed the acquisition of San Diego based Xitron Technologies (now a wholly owned subsidiary of ImpediMed). The Xitron acquisition adds another early BIS patent to ImpediMed's patent portfolio, while more importantly providing a critical manufacturing and logistics hub for expansion into the North American markets. The Xitron merger also provided an important strategic relationship with Fresenius Medical Care (FMC), a world leader in treating kidney disorder patients through the supply of dialysis treatments.

Quality and our customers are two critically important focus points for ImpediMed. To that end, we have now instituted a company-wide Quality Philosophy Incentive Program, making adherence to all quality initiatives an overriding key performance metric for all employees.

Finally, we would like to take this opportunity to thank all our ImpediMed employees. Without the dedication and loyalty this team has shown over the past year, we could not have achieved the progress we are now experiencing. We would also like to thank the Board of Directors for their guidance and leadership this year. We may have traveled far in a very short time, but we still have a significant journey ahead in driving the new clinical approach to help improve the quality of life of cancer patients and those suffering debilitating medical disorders targeted by our devices.

Mel Bridges Chair

Greg Brown Chief Executive Officer & Managing Director

Board of Directors and Senior Management






BOARD

Mel Bridges Chair

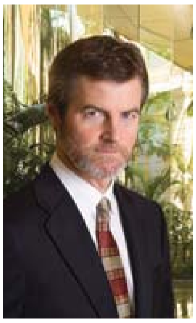
Greg Brown
Chief Executive Officer & Managing Director

Martin Kriewaldt
Non-executive Director and Chair Remuneration Committee

Jim Hazel
Non-executive Director and Chair Audit & Risk Committee

Dr Cherrell Hirst
Non-executive Director

Dr Michael Panaccio
Non-executive Director

SENIOR MANAGEMENT

Phil Auckland
Chief Financial Officer, Chief Operating Officer, Company Secretary

Jack Butler
Vice President Business Development US

Belinda Robinson
Vice President International Marketing & Sales

Dennis Schlaht
Vice President Product Management & Development

Directors' profiles appear on pages 2 and 3 of the Directors' Report.

Financial Report

Contents

Corporate Information

ABN: 65 089 705 144

This financial report covers the consolidated entity comprising ImpediMed Limited and its subsidiaries. The Group's functional and presentation currency is Australian dollars ($ AUD).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report. The directors' report is not part of the financial report.

Directors
M Bridges (Chairman)
G Brown (Chief Executive)
M Kriewaldt
C Hirst
J Hazel
M Panaccio

Company Secretary
P Auckland
S Denaro (resigned 8th April 2008)

Registered office
Unit 1,
50 Parker Court
Pinkenba QLD 4008

Principal place of business
Unit 1,
50 Parker Court
Pinkenba QLD 4008

Share Register
Link Market Services
Level 22
300 Queen Street
Brisbane QLD 4000

Solicitors
Corrs Chambers Westgarth
Waterfront Place
1 Eagle Street
Brisbane QLD 4000

McCullough Robertson
Level 11, Central Plaza Two
66 Eagle Street
Brisbane Qld 4000

Sheppard Mullin
12275 El Camino Real, Suite 200
San Diego, CA 92130-2006

Bankers
ANZ Bank
Acacia Ridge Business Centre
Acacia Ridge QLD 4110

Auditors
Ernst & Young
Level 5, 1 Eagle Street,
Waterfront Place
Brisbane QLD 4000

Directors' Report

Your directors submit their report for the year ended 30 June 2008.

Directors

The names and details of the company's directors in office during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mel Bridges, B.Sc FAICD - Chairman

Mel Bridges is a co-founder and significant shareholder in ImpediMed Limited and has over 30 years of international business experience in the healthcare industry. Presently, he is the Chairman of ImpediMed Limited and its nomination committee and serves on the remuneration committee and the audit committee. Mel is also Chairman of ASX listed Alchemia Ltd , and a non-executive director of Incitive Limited and Benitec Limited.

Listed company directorships held since 1 July 2005:

Company Name	Appointed	Resigned
ImpediMed Limited	27-Sep-1999	-
Arana Therapeutics (formerly Peptech Limited)	11-Dec-2002	01-Nov-2007
Alchemia Limited	11-Sep-2003	
Benitec Limited	12-Oct 2007	-
Incitive Limited	01-Nov-2007	-

Greg Brown, B.Sc MBA - Executive Director and Chief Executive Officer

Greg Brown has over 20 years of business experience in the healthcare industry in Australia, the USA and in Europe. He joined ImpediMed Limited in April 2004 as Chief Executive Officer and is a substantial shareholder in ImpediMed Limited.

Listed company directorships held since 1 July 2005:

Company Name	Appointed	Resigned
ImpediMed Limited	14-Dec-2001	-

Martin Kriewaldt, BA LLB (Hons) FAICD - Non-executive Director

Martin Kriewaldt is a former partner of law firm Allen Allen and Hemsley (now Allen Arthur Robinson). Martin chairs the remuneration committee and serves on the audit committee and nomination committee of the company. Martin is a non-executive director of ASX listed Suncorp-Metway Ltd, Campbell Brothers Ltd, GWA International Ltd and Oil Search Ltd.

Listed company directorships held since 1 July 2005:

Company Name	Appointed	Resigned
ImpediMed Limited	24-Mar-2005	-
GWA International Limited	25-Jun-1992	-
Suncorp Metway Limited	06-Dec-1996	-
Campbell Brothers Limited	12-Jun-2001	-
Oil Search Limited	16-Apr-2002	-
Arana Therapeutics (formerly Peptech Limited)	24-Oct-2003	28-Aug-2007

Cherrell Hirst, AO MBBS BEdSt DUniv FAICD - Non-executive Director

Cherrell Hirst is a medical doctor and was a leading practitioner in the area of breast cancer diagnosis. Cherrell serves on the remuneration committee, the audit committee, and the nomination committee. She is a non-executive director of ASX listed Suncorp Metway Ltd, and Peplin Inc. Cherrell is also deputy chair and Acting CEO of Queensland BioCapital Funds.

Listed company directorships held since 1 July 2005:

Company Name	Appointed	Resigned
ImpediMed Limited	01-Aug-2005	-
Peplin, Inc. (formerly Peplin Limited)	17-Aug-2000	-
Suncorp Metway Limited	08-Feb-2002	-

Directors' Report

Jim Hazel, B.Ec, F Fin, FAICD - Non-executive Director

Jim Hazel chairs the audit committee and serves on the remuneration committee and nomination committee. Jim had an extensive career in retail and investment banking and was former chief general manager of Adelaide Bank Ltd. Jim is Chairman of Elders Rural Bank Limited, and a non-executive director of ASX listed Becton Property Group Limited and Terramin Australia Limited.

Listed company directorships held since 1 July 2005:

Company Name	Appointed	Resigned
ImpediMed Limited	**27-Nov-2006**	**-**
Primelife Corporation Limited	**23-Mar-2004**	**16-Oct-2006**
Becton Property Group Limited	**07-Apr-2008**	**-**
Terramin Australia Limited	**26-Apr-2007**	**-**

Michael Panaccio, BSC (Hons), MBA, PhD, FAICD - Non-executive Director

Michael Panaccio joined ImpediMed Limited as a non-executive director in January 2007. Michael is an investment principal and founder of leading Australian venture capital firm Starfish Ventures, a venture capital manager with approximately $400m in funds under management. Michael's experience also includes more than five years with Singapore based venture capital firm Nomura/JAFCO investment (Asia) Limited. Michael serves on the remuneration committee, the audit committee, and the nomination committee

Listed company directorships held since 1 July 2005:

Company Name	Appointed	Resigned
ImpediMed Limited	**25-Jan-2007**	**-**

Company Secretary

Phillip Auckland, B.Bus, FCPA (CFO and COO)

Phil Auckland joined ImpediMed Limited in June 2004 as Chief Financial Officer and was appointed Company Secretary in November 2004 and Chief Operating Officer in November 2006. Before joining ImpediMed Limited, he was Chief Financial Officer and Company Secretary of ASX listed PANBIO Ltd. In 2002 he completed the Columbia University (NY) Senior Executive Program. Phil also holds a Graduate Diploma in Company Secretarial Practice.

Stephen Denaro, B.Bus, CA, GDip Corp Governance

Stephen Denaro resigned from the position of Company Secretary effective 8th April 2008.

Interest in the shares and options of the company and related body corporate

As at the date of this report, the interests of the directors in ImpediMed Limited were:

	Ordinary Shares	IPO Options	Options
M Bridges	4,638,941	45,000	-
G Brown	4,418,349	14,000	1,747,673
M Kriewaldt	180,418	-	-
C Hirst	173,770	17,250	-
J Hazel	238,598	33,750	-
M Panaccio	43,638,915	2,877,700	-

Directors' Report

Principal Activities

The principal activities of the consolidated entity during the year were the development, manufacture and sale of bio-impedance instruments to direct customers and distributors.

Review of Operations

Group Overview

ImpediMed Limited was founded in Australia in 1999, and was listed on the Australian Stock Exchange on 24th October 2007.

The ImpediMed group consists of three entities:

- ImpediMed Limited, the parent company operating in the medical markets in regions outside the USA, which was incorporated in 1999 and which listed on the Australian Stock Exchange on 24th October 2007.
- ImpediMed Inc, a Delaware corporation operating in medical markets in the USA.
- Xitron Technologies Inc, a California corporation operating in medical and power test and measurement markets globally. Xitron Technologies Inc was acquired by ImpediMed Limited on 1st October 2007.

The acquisition of Xitron Technologies Inc was effected through the incorporation by ImpediMed Limited of a new California subsidiary, Mesa Acquisition Corp on 8th May 2007, which on 1st October 2007 was merged with Xitron Technologies Inc as part of the closing process of the acquisition contemplated in the agreement of 5th July 2007 between ImpediMed Limited and Xitron Technologies Inc and its shareholders. Through that merger process Mesa Acquisition Corp ceased to exist.

Directors' Report

Profit and Loss

The consolidated net loss after income tax for the year ended 30 June 2008 is $9,754,128 (2007: $10,126,128). Set out below is the income statement in a form showing Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA).

Income Statement - EBITDA

Year ended 30 June 2008

	Notes	Consolidated		Parent	
		2008	2007	**2008**	2007
		AU $	AU $	**AU $**	AU $
Continuing operations					
Sale of goods	6	**2,213,102**	1,195,116	**907,747**	1,457,928
Rendering of services	6	**128,380**	18,480	**10,325**	20,548
Finance income	6	**652,803**	205,236	**652,738**	205,202
Revenue		**2,994,285**	1,418,832	**1,570,810**	1,683,678
Cost of goods sold		**(693,601)**	(628,653)	**(340,239)**	(692,157)
Gross profit		**2,300,684**	790,179	**1,230,571**	991,521
Income from grants and other operating income	7	**1,152,030**	726,542	**1,108,690**	726,542
Salaries and benefits	8(e)	**(4,134,984)**	(2,961,138)	**(2,528,017)**	(2,440,462)
Advertising and promotion		**(403,084)**	(214,894)	**(147,126)**	(98,542)
Consultants fees		**(1,179,004)**	(919,361)	**(611,612)**	(669,205)
Rent and property expenses		**(315,826)**	(170,436)	**(124,994)**	(127,135)
Research and development		**(1,827,962)**	(1,517,259)	**(1,705,279)**	(1,433,832)
Travel expenses		**(811,749)**	(470,423)	**(518,528)**	(330,565)
Doubtful debt for intercompany receivable		**-**	-	**(4,408,341)**	(1,520,157)
Other expenses	8(f)	**(2,419,512)**	(1,891,617)	**(2,339,416)**	(1,778,355)
Profit/(loss) from continuing operations before Interest, Tax, Depreciation, and Amortization (EBITDA)		**(7,639,407)**	(6,628,407)	**(10,044,052)**	(6,681,768)
Interest expense - conv notes	8(a)	**(459,461)**	(7,564,999)	**(459,461)**	(7,564,999)
Interest expense – pref shares	8(b)	**(1,222,432)**	(2,579,824)	**(1,222,432)**	(2,579,824)
Other finance costs	8(c)	**(6,783)**	(63,516)	**(1,547)**	(63,516)
Provision for loss on Debenture	15	**(71,000)**	-	**(71,000)**	-
Depreciation and amortisation	8(d)	**(355,045)**	(163,631)	**(155,066)**	(154,952)
Income tax	9	**-**	(14,371)	**-**	(14,371)
Profit/(loss) from continuing operations after Interest, Tax, Depreciation, and Amortization		**(9,754,128)**	(17,014,748)	**(11,953,558)**	(17,057,852)
Discontinued operations					
Profit /(loss) from discontinued operations	32	**-**	6,888,171	**-**	6,881,264
Net profit /(loss) for the period		**(9,754,128)**	(10,126,577)	**(11,953,558)**	(10,176,588)

Directors' Report

The net loss for the years ended 30 June 2008 and 30 June 2007 included significant items outside the course of normal operations which are outlined below:

- In the year ended 30 June 2007 a non-cash accounting profit of $6,888,516 was generated on the transfer of the assets of the company's cardiography business to Impedance Cardiology Systems Inc prior to its de-merger to ImpediMed's shareholders on 30 October 2006. (There was an additional $345 cash loss directly associated with the demerger.)
- Through the course of raising operating capital to fund the business during 2005, 2006 and 2007, the company issued series 1, 2 and 3 convertible notes, Preference A1 shares, and Preference A2 shares. Under AIFRS upon the conversion of these instruments significant non-cash accounting expenses were generated reflecting discounts between the value of the instrument they were converting into which were classified as interest.
    - For the year ended 30 June 2008 interest expense relating to converting notes was $459,461 and related to the period prior to the company listing on ASX. For the year ended 30 June 2007 the comparative interest expense was $7,564,999.
    - For the year ended 30 June 2008 interest expense relating to preference A1 and A2 shares amounted to $1,222,432 and related to the period prior to the company listing on ASX. For the year ended 30 June 2007 the comparative interest expense was $2,579,824.

Looking at the EBITDA line in the restated consolidated income statement, the above non-cash expenses are isolated, and the negative EBITDA of $7,639,407 for the year ended 30 June 2008 gives a clearer picture of the results in the operating business, as well as providing a more relevant comparison to the year ended 30 June 2007 for which the negative EBITDA was $6,628,407.

Sales revenues related to goods and services for the reporting period ended at $2,341,482 increased 92.9% overall against sales revenues for the year ended 30 June 2007 at $1,213,596, with an improving contribution at the margin level. The increased negative EBITDA up $1,011,000, from $6,628,407 (2007) to $7,639,407 (2008) primarily reflected an increase in overheads to support the development of the US market, and particularly with respect to the company's Lymphoedema products being targeted initially to Breast Surgeons and Oncologists.

Commercialisation Progress

With respect to progress in the Group's commercialisation activities, the directors highlight the following:

a) During the year ended 30 June 2008, a total of 391 medical instruments were sold (2007: 362) and a total of 46 medical instruments were placed under operating leases (2007: 4). Gross medical sales revenue for the period was $1,406,652 (2007: $1,185,282).

b) The business has begun to direct its business with customers more towards a pay as you go model with monthly or quarterly payments including a standard consumable allowance, with additional consumables purchased by the customer as needed, as opposed to device sales. This is expected to create long term customer relationships as opposed to a one off device sale.

c) The company completed the acquisition of Xitron Technologies Inc on 1st October 2007. This acquisition delivered a business which through existing revenues covered many of the overheads that ImpediMed would have needed to duplicate as it established a US operations hub. In addition it added an experienced team of staff who have added increased breadth to the ImpediMed US team.

d) Following the Xitron acquisition, the company has executed a strategy to build its global operations and logistics hub in San Diego.
    - A majority of key business functions are now located and managed from San Diego to assure a high level of support for ImpediMed's key market.
    - On 30th March the company established a new San Diego based facility to support the expansion into the US market. The new facility replaced the facility Xitron Technologies Inc had been in, and is expected to handle the growth of the business for around 5 years.
    - Subsequent to the year end, on 31st July 2008, the company moved from its Brisbane office at Eight Mile Plains into new but significantly more cost effective premises at Pinkenba.
    - Through the changes in leased premises in the USA and Australia, the company has secured the space it will need to support anticipated business growth 5 years ahead with an overall cost neutral position.

e) The FDA submission for U400, the company's first device with large scale clinical application, was completed and lodged with FDA in early April 2008.

f) In late April 2008 a paper was published in the Journal Cancer regarding a study conducted by the NIH and the National Naval Medical Centre in the US. The paper showed that the early detection of Lymphoedema enables treatment using pressure bandages to prevent the progression of the condition to an irreversible form. Since the publication of the NIH/NNMC study the company has had strong interest from Breast Surgeons, with strong enquiries at the May 2008 American Society of Breast Surgeons Conference in New York, and growing support among thought leading Breast Surgeons.

Directors' Report

Significant changes in the state of affairs

During the financial year the company's capital and debt structure changed significantly with the successful $18 Million capital raising and initial public offering on the Australian Stock Exchange on 24th October 2007, and the consequent retirement by conversion of all converting notes and preference shares.

Issued capital increased to $50,809,291 at 30 June 2008 (2007: $11,151,629); total equity increased to $12,300,369 (2007: $(17,788,316)), and total liabilities decreased to $2,214,667 at 30 June 2008 (2007: $22,045,961).

During the year ended 30 June 2008, the Group raised capital as follows:

- $9,792,000 through the issue of 13,600,000 ordinary shares under the Public Offer (in addition to 6,800,000 IPO Options)
- $8,208,000 through the issue of 11,400,000 ordinary shares under the Redemption Issue (in addition to 5,700,000 IPO Options)

Cash at hand increased to $8,454,469 at 30 June 2008 from $1,612,462 at 30 June 2007.

As part of the acquisition of Xitron Technologies Inc, the Group acquired the fair value of Xitron's patent ($1,040,041), as well as goodwill stemming from the acquisition ($2,040,175). The acquisition explains a majority of the movement in non-current assets to $3,763,790 at 30 June 3008 (2007: $482,651). Refer Note 17 for additional information regarding non-current assets.

Significant events after the balance date

Other than:

- On 11th July 2008, the Board resolved to issue 1,600,001 ordinary shares to institutional investors at $0.75 per share raising $1,200,000.
- On 30th July 2008, the Board resolved to issue 4,000,000 ordinary shares to an institutional investor at $0.75 per share raising $3,000,000.
- Further to a Heads of Agreement dated 23rd June 2008, on 25 August 2008 ImpediMed Limited signed a lease agreement with respect to new premises at Pinkenba in Brisbane, which from 1st August 2008 became the company's registered office and principal place of business in Australia. The agreement is for a 3 year term, with 2 x 3 year options and commences at rent of $56,000 per annum. The lease agreement on the previous premises at Eight Mile Plains was terminated early by agreement with rent paid to 31st August 2008.

no matter or circumstance has arisen since the end of the year that has significantly affected, or may significantly affect the consolidated entity's operation, the results of those operations or the consolidated entities state of affairs, in future financial years.

Likely developments and expected results

The following are expected developments in the business of ImpediMed Limited likely to impact its financial results in the near term:

- There is an application under review with the FDA for clearance of the U400 device for the clinical assessment of Lymphoedema. Questions of a routine nature have been raised by FDA and responses have been provided by the company. The company expects clearance is likely by the December quarter 2008.
- The board have approved a strategy to expand the company's direct sales force and marketing activities in the US in preparation for the release of the U400 on FDA clearance.
- The company is preparing an application to the AMA in the US for a Level One reimbursement code. This will facilitate reimbursement for clinicians when they use ImpediMed devices in the clinical assessment of cancer survivors for Lymphoedema. The application is targeted for submission by the due date of 5th November 2008.

Directors' Report

Environmental regulation and performance

The consolidated entity's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or a State or Territory.

Share options

Unissued shares

As at the date of this report, there were unissued ordinary shares under options as outlined below:

	30 June 2008	30 June 2007
IPO Options	12,500,000	-
CEO's Options	1,747,673	747,673
ESOP Options	3,663,337	1,590,000
Total Options	17,911,010	2,337,673

The IPO Options were issued as part of the company's initial public offering on the Australian Stock Exchange on the basis of one option for every two shares subscribed for.

Refer Note 28 of the financial statements for further details of options outstanding.

Shares issued as a result of the exercise of options

During the financial year, no listed IPO options have been exercised and no options have been exercised by employees or by the Chief Executive Officer.

Dividends

No dividends were paid or proposed to be paid to members for the year ended 30 June 2008.

Indemnification and insurance of directors and officers

The company has agreed to indemnify all the directors for any breach of law by the company for which they may be held personally liable.

For the year ended 30 June 2008, the company has paid premiums in respect of a Director's and Officer's insurance policy.

Directors' Report

Remuneration report (Audited)

This report outlines the remuneration arrangements in place for directors and executives of ImpediMed Limited and the Group.

Key management personnel

(a) Details of key management personnel

At the date of this report the Directors and key executives of the company were as follows:

(i) Directors	
Mel Bridges	Chairman
Greg Brown	Chief Executive Officer
Martin Kriewaldt	Non-executive director
Cherrell Hirst	Non-executive director
Jim Hazel	Non-executive director
Michael Panaccio	Non-executive director
(ii) Executives	
Phil Auckland	Chief Financial Officer, Company Secretary and Chief Operating Officer
Jack Butler	VP Business Development US
Belinda Robinson	VP International Marketing and Sales
Dennis Schlaht	VP Product Management & Development - appointed 1st October 2007

Changes among directors and key executives during the reporting period were as follows:

- Roger Render the VP Quality & Regulatory Affairs passed away on 17th February 2008. His role and responsibilities have been spread among other managers until a replacement can be found.
- Dennis Schlaht was appointed to VP Product Management on 1st October 2007. He was brought on as part of the acquisition of Xitron Technologies Inc.
- Stephen Denaro resigned as Company Secretary effective 28th April 2008.
- Dr Scott Chetham moved to a consultancy role in October 2007, upon relocating to the USA to join the demerged Impedance Cardiology Systems Inc as an employee as agreed in the demerger of that entity from the ImpediMed group in October 2006. Dr Chetham is contracted to continue to spend twenty percent of his time working on R&D initiatives for the Group.
- Steve Smith was appointed to VP Operations on 1 October 2007. On 1st April 2008 Mr. Smith moved to a consulting arrangement acting in a part time capacity as VP US Investor Relations.

Other than the changes listed above, there were no other changes of the CEO or Key Management Positions between the reporting date and the date the financial report was authorised for issue.

(b) Remuneration of the chair and non-executive directors

The current remuneration of the chair and non-executive directors became effective on 1st January 2007.

The chair of the Remuneration committee commissioned a report by board remuneration specialists which was received in October 2006. The board adopted the recommendations of the report in full.

The recommendations were as follows:

- Chairman fees of $100,000 per annum
- Non-executive directors fees of $50,000 per annum
- Audit committee chair additional fees of $10,000 per annum
- Remuneration committee chairman additional fees of $5,000 per annum
- All fees to attract 9% superannuation

The board considers the current fee level appropriate.

The shareholder approval for the non-executive director fee pool was given in October 2006, and was set at $600,000. The current actual fees paid to the chair and five non executive directors at $397,850 are well within the approved fee pool, which was proposed to shareholders in 2006 to provide the board with the ability to expand the board as the needs of the business required it.

Directors' Report

(c) Remuneration policies and review processes

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives. In particular the group is executing a strategy to develop a substantial market in the US and is building a team of experienced managers and professionals to execute its strategy. The US Medical Device industry is a competitive employment market, and the company is attracting strong talent with a focus on long term incentives in the form of options, aligning shareholder and employee interests.

The board of directors appoints a remuneration committee to periodically review remuneration policies for the organisation, and to critically review the remuneration for the CEO and executive staff.

The company conducts an annual review process aligned to the calendar year. Objectives of the review process include:

- Review performance of the staff members for the previous year, and in particular against the goals and KPIs set at the previous year's reviews and the goals that emerged during that year. A percentage performance is set for the employee.
- The performance percentage is applied to the employees STI cash incentives, and determines the proportion of certain LTIs with a performance adjustment factor. The determination and payment of STI cash incentives occurs through this process, and vesting entitlements of LTIs tied to performance are determined.
- Review remuneration of the staff member and set remuneration for the calendar year ahead.
- Review development needs, and plan internal training and external training necessary for the employees' roles and their development to support their career path in the organization.
- Setting goals and KPIs for the year ahead.

As regards the review process for Calendar Year 2007, the following highlights should be noted:

- As a company still in its cash-burn phase of development, management and the board seek where reasonable to restrain growth in base salaries in the main to CPI based economic increases, utilising LTIs to motivate staff. In this year's reviews in setting remuneration for calendar 2008, of the staff up for a review, 68% received the CPI economic rise (3.0% increase in Australia and 4.0% increase in the USA).
- The remuneration committee reviewed the company's LTI program and decided to abandon the use of Performance Shares in favour of options. It was felt that options better align the interests of employees and shareholders more so than shares which dilute shareholders in almost any situation, versus options which only dilute shareholders when there has been growth in share value creating a premium over the issue price.

As regards to long term incentives, the earlier option issues by the company (2004 and early 2007) vested if the employee was still employed at the vesting date and if there had been no adjustment for performance on LTI's. The remuneration committee, though, in mid 2007 set a policy of incorporating a performance adjustment factor in the 2007 Performance Shares, and in any options or performance shares issued in subsequent years. The performance adjustment factor has been incorporated into the 2008 options. Employees are given a performance percentage for a calendar year as a product of their review. That factor is multiplied by the employees gross entitlement under that year's performance shares or options issued to give a performance adjusted entitlement. It is the performance adjusted entitlement that then vests over three vesting dates 31st December of the performance year, and then 31st December of the following two years. The company expects to grant options each year at the start of the year, which will be adjusted to give a performance adjusted entitlement for the options issued in that year. The options generally expire 5 years from the vesting date for the tranche vesting.

(d) CEO Remuneration

The CEO entered into an employment contract with the company on 19th May 2006. The notice period under the contract is twelve months, and the agreement specifies annual reviews which may not result in a salary decrease, but which will not necessarily result in an increase. In the event of the termination of the CEO's employment, 12 months salary would be payable.

Over a period of ten years, the CEO held senior executive positions offshore in the USA, Switzerland, Germany and the United Kingdom. He joined ImpediMed as a non-executive director in December 2001, and took on the role of CEO initially in a part time consulting capacity in February 2004.

In setting the CEO's remuneration the remuneration committee has regard to his international experience as well as salaries of CEO's of listed companies in Australia.

The CEO's base salary for calendar year 2008 is $428,068 plus 9% superannuation, and may be taken as salary, vehicle allowance, or superannuation salary sacrifice. His potential short term cash incentives are set at 20% of his base salary. For calendar year 2007 the CEO earned 95% of his potential short term incentives. The key components of the CEO's goals and objectives for calendar 2007 were oriented towards the success of capital raising, and

Directors' Report

achievement of commercial milestones, and the board rated his performance against these factors at 100%. The five percent of STIs not earned related to the sales results for calendar 2007 falling short of stretch goals.

The CEO's long term incentives are in the form of options. He was issued 747,673 options in December 2004, and 1,000,000 options in October 2007 at the time of the company's initial public offering on the Australian Stock Exchange. In addition to his long term incentive holdings the CEO is a substantial shareholder having invested his own funds in the company in 2001, 2003, 2006, and 2007.

The structure of non-executive director and executive compensation is separate and distinct, in accordance with best practice corporate governance.

(e) Remuneration of key management personnel

(i) Remuneration of key management personnel for the years ended 30 June 2008 and 30 June 2007

30 June 2008	**Short Term**			**Post Employment**	**Share-based**	**Total**
	Salaries & Fees	**Cash Bonus**	**Non-monetary**	**Super-annuation**	**Options and Performance Shares**	
	AU $	**AU $**		**AU $**	**AU $**	**AU $**
Directors						
M Bridges	100,000	-	-	9,000	-	109,000
G Brown	304,000	80,000	96,000	43,200	98,630	621,830
M Kriewaldt	55,000	-	-	4,950	-	59,950
J Hazel	60,000	-	-	5,400	-	65,400
C Hirst	50,000	-	-	4,500	-	54,500
M Panaccio	50,000	-	-	-	-	50,000
Executives						
P Auckland	139,000	35,000	36,000	18,900	88,619	317,519
J Butler*	215,895	41,266	-	19,431	53,909	330,501
B Robinson	102,564	25,513	25,000	13,777	29,693	196,547
D Schlaht*	110,479	20,275	8,145	9,943	2,109	150,951
S Smith*	110,165	-	18,675	-	3,380	132,220
R Render	54,533	9,620	9,600	7,382	7,626	88,761
S Chetham	60,110	11,267	15,000	7,436	5,314	99,127
	1,411,746	**222,941**	**208,420**	**143,919**	**289,280**	**2,276,306**

* All figures shown in AU $ although remuneration paid in US $

Directors' Report

30 June 2007	Short Term			Post Employment	Share-based	Total
	Salaries & Fees	Cash Bonus	Non-monetary	Super-annuation	Options and Performance Shares	
	AU $	AU $		AU $	AU $	AU $
Directors						
M Bridges	80,000	-	-	7,200	-	87,200
G Brown	292,000	80,000	108,000	43,200	62,356	585,556
M Kriewaldt	52,500	-	-	4,725	-	57,225
J Hazel	38,333	-	-	3,450	-	41,783
C Hirst	50,000	-	-	4,500	-	54,500
M Panaccio	25,000	-	-	-	-	25,000
M Finney	685	-	-	62	-	747
Executives						
P Auckland	135,000	45,000	40,000	19,800	56,967	296,767
J Butler	168,585	34,041	-	18,236	37,711	258,573
B Robinson	102,564	25,000	25,000	13,731	17,357	183,652
R Render	57,521	10,749	41,015	7,382	17,323	133,990
S Chetham	120,220	15,022	30,000	14,872	3,350	183,464
	1,122,408	**209,812**	**244,015**	**137,158**	**195,064**	**1,908,457**

f) Hedge Policy

No directors or officers hedge their risk on shares or options held in the company.

DIRECTORS' MEETINGS

The number of meetings of directors (including the meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

		Meetings of Committees		
	Directors' Meetings	Audit	Remuneration	Nomination
Number of meetings held	19	2	1	-
Number of meetings attended:				
M Bridges	19	2	1	-
G Brown	19	2	1	-
M Kriewaldt	17	2	1	-
J Hazel	17	2	1	-
C Hirst	19	2	1	-
M Panaccio	17	2	1	-

The nomination committee was formed in September 2007. It will meet for the first time in October 2008 in preparation for nominations for the 2008 Annual General Meeting.

Directors' Report

Committee membership

At the date of this report, the company had an Audit Committee, a Remuneration Committee and a Nomination Committee of the Board of Directors.

Members acting on the committees of the Board during the year were:

	Audit Committee	Remuneration Committee	Nomination Committee
M Bridges	Member	Member	**Chair**
M Kriewaldt	Member	**Chair**	Member
J Hazel	**Chair**	Member	Member
C Hirst	Member	Member	Member
M Panaccio	Member	Member	Member

AUDITORS' INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the declaration per page 14 from the auditor of ImpediMed Limited.

Non-Audit Services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Services in relation to the IPO and Xitron acquisition: $107,635

Signed in accordance with a resolution of the directors.

Mel Bridges
Chairman

Jim Hazel
Director

Brisbane, 29 August 2008

Ernst & Young
1 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001
Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
www.ey.com/au

Auditor's Independence Declaration to the Directors of ImpediMed Limited

In relation to our audit of the financial report of ImpediMed Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Winna Brown
Partner
29 August 2008

Corporate Governance Statement

The board of directors is responsible to shareholders to oversee the activities and results of the company. The company's activities are being directed towards supporting the business's core value creation strategy to create a substantial market for the company's devices for use in the clinical assessment of Lymphoedema in the population of cancer survivors. The business is making substantial investments in market creation activities, and the board oversees the planning and execution of these activities.

The board supports the ASX Corporate Governance Principles and sees them as strongly aligned with the outcomes it is seeking for shareholders. The Principles have been in place since the company listed in October 2007.

The company has decided to early adopt reporting against the second edition of the principles, which is due for adoption in June year end companies for the year beginning 1st July 2008. The table below summarises the ASX Corporate Governance Principles and Recommendations (second edition) and summarises the extent to which the company follows the recommendations and how.

Principles (P) & Recommendations (R)		Status	Details
P1	Lay solid foundations for management and oversight		
R1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	✓	The company has a delegated authorities policy which is disclosed on its website under Investor Relations and Corporate Governance. The policies fulfil the requirements of Recommendation 1.1
R1.2	Companies should disclose the process for evaluating the performance of senior executives.	✓	The process of evaluating senior executive performance is described in the Remuneration Report herewith, and the process was conducted during the year as described.
R1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	✓	The required reporting information has been disclosed
P2	Structure the board to add value		
R2.1	A majority of the board should be independent directors.	✗	Of six directors three are not independent, the Chair Mel Bridges, the CEO Greg Brown, and Dr Michael Panaccio who are all substantial shareholders. Refer discussion below this table with respect to director independence. The board, excluding Mel Bridges and Dr Michael Panaccio, consider they act independently in spite of not meeting the definition. Thus the board excluding Mel Bridges and Dr Michael Panaccio consider the board acts in the manner of a board with a majority of independent directors.
R2.2	The chair should be an independent director.	✗	The Chair, Mel Bridges, is a substantial shareholder, and is therefore technically not an independent director. Refer discussion below this table with respect to director independence. The board excluding Mel Bridges consider he acts independently in spite of not meeting the definition.
R2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	✓	These roles are separately filled by Mel Bridges as Chair, and Greg Brown as CEO
R2.4	The board should establish a nomination committee.	✓	The board established a nomination committee in September 2007 prior to the company's initial public offering on ASX.

Corporate Governance Statement

R2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	✓	This is a new requirement under the second edition of the ASX Corporate Governance Principles and Recommendations. The board has a formal process to evaluated board committee and director performance. Evaluation of the board, its balance of skills, its members and their contribution was undertaken as a preliminary to listing and will be performed again during the 2008-9 financial year. The process for the 2008-09 review will be documented on the company's web site as soon as it is available.
R2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	✓	The required reporting information has been disclosed
P3	Promote ethical and responsible decision-making		
R3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✓	The company has a code of conduct which is disclosed on its website under Investor Relations and Corporate Governance. The policies fulfil the requirements of Recommendation 3.1
R3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	✓	The company has a securities trading policy applying to directors, senior executives and employees, which is disclosed on its website under Investor Relations and Corporate Governance. The policies fulfil the requirements of Recommendation 3.2
R3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	✓	The required reporting information has been disclosed
P4	Safeguard integrity in financial reporting		
R4.1	The board should establish an audit committee.	✓	The company has an Audit Committee
R4.2	The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	✓	The audit committee is made up only by non-executive directors. The committee is constituted by three independent directors and two directors who are not independent, and thus has a 3:2 majority of independent directors. The Audit committee chair Jim Hazel is an independent director. The committee has five members.
R4.3	The audit committee should have a formal charter.	✓	The Audit Committee has a formal charter which is disclosed on its website under Investor Relations and Corporate Governance.
R4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	✓	The required reporting information has been disclosed

Corporate Governance Statement

P5	Make timely and balanced disclosure		
R5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	✓	The company has a Disclosure policy which is disclosed on the company's website under Investor Relations and Corporate Governance. The policy fulfils the requirements of Recommendation 5.1
R5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	✓	The required reporting information has been disclosed
P6	Respect the rights of shareholders		
R6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	✓	The company has a shareholder communication policy which is disclosed on the company's website under Investor Relations and Corporate Governance. The policy fulfils the requirements of recommendation 6.1.
R6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	✓	The required reporting information has been disclosed.
P7	Recognise and manage risk		
R7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✓	The company has a risk management policy which is part of the board charter, which is disclosed on the company's website under Investor Relations and Corporate Governance. The policy fulfils the requirements of recommendation 7.1.
R7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓	The board does require from management regular reporting of material business risks and how management is dealing with them. The audit and risk committee received and reviewed a report on risk management and its effectiveness, with respect to material business risks.
R7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓	The required assurance under recommendation 7.3 is provided by the Chief Executive Officer and Chief Financial Officer.

Corporate Governance Statement

R7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	✓	The required reporting information has been disclosed.
P8	Remunerate fairly and responsibly		
R8.1	The board should establish a remuneration committee	✓	The board has a remuneration committee
R8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓	The remuneration of non-executive directors is fixed in the form of fees and superannuation, and includes no cash or equity incentives. It is distinctly different and separate from the structure of executive remuneration and is determined through a separate process based on professional external advice.
R8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	✓	The required reporting information has been disclosed.

Legend – Status	
✓	The company complies with the recommendation
⌛	The company is in the process of seeking to comply with the recommendation
✗	The company does not comply with the recommendation

Corporate Governance Statement

The board of directors is constituted as follows:

Director Name	Independent	Role/s	Areas of Experience
Mel Bridges	No	Chairman Non Executive Director Chair Nomination Committee	Medical/Biotechnology industry, ASX Listed Companies Investment Community CEO Mergers and Acquisitions Corporate Governance
Greg Brown	No	Chief Executive Officer Executive Director	Medical/Biotechnology industry US Medical Markets Product Commercialisation Sales and Marketing
Martin Kriewaldt	Yes	Non-Executive Director Chair Remuneration Committee	Legal ASX Listed Company Remuneration Committees Corporate Governance
Jim Hazel	Yes	Non-Executive Director Chair Audit Committee	Finance and Accounting ASX Listed Company CEO Audit Committees Corporate Governance
Cherrell Hirst	Yes	Non-Executive Director	Medical Doctor Breast Cancer Clinician Medical/Biotechnology industry ASX Listed Companies Health Funds Corporate Governance
Michael Panaccio	No	Non-Executive Director	Capital Raising ASX Listed Companies Medical/Biotechnology industry Mergers and Acquisitions Corporate Governance

Director Independence

Of six directors three are not independent (if the tests of independence in the ASX Guidelines were adopted as a definition), the Chair Mel Bridges, and Dr Michael Panaccio the Principal of Starfish Ventures are substantial shareholders. The CEO Greg Brown as CEO and Managing Director is also a substantial shareholder, and can not be considered independent as part of management.

The board notes that the current board is the board in place at the time of listing. The board considers independence to be a state of mind, of independence from management, which is evidenced by the director's course of conduct in deliberations at the board table. This independence allows the director to fulfil the duties of a director untrammelled by considerations of relationship or attachment to management or their proposals or existing business plans. On this basis, the board is of the opinion that both Mel Bridges and Michael Panaccio are truly independent, despite their connection to the company being deeper than for most shareholders. If anything, that they have large shareholdings at stake in the company sharpens their value-for-shareholders focus.

The board considers that it is important to distinguish independence from conflict of interest which can arise in some circumstances from the kinds of additional connections listed in the ASX definition of independence.

Corporate Governance Statement

The board has in place protocols to deal with any conflict when it arises, including excluding any conflicted director from materials and deliberations on the topic.

The board, excluding Michael Panaccio, consider that his contribution to board deliberations and the assistance he is able to provide to management at this stage of the company's history more than outweighs any disadvantage to the company arising from his association with a significant shareholder of the company. His experience with capital raisings in the early stages of a medical device company, his contacts with relevant persons in the field and his business judgement have been very valuable to the company.

The board, excluding Mel Bridges, consider that his contribution to board deliberations and the assistance he is able to provide to management at this stage of the company's history more than outweighs any disadvantage to the company arising from his association with a significant shareholder of the company or any previous role with the company. Mel Bridges has extensive experience in the medical devices field and in nurturing companies from start-up to success and his knowledge of the industry and his contacts and reputation with big-pharma and the capital markets have been very valuable to the company. In addition, his "corporate memory" stemming from his long history with the company's product and its development is also a great advantage to the board.

Income Statement

AS AT 30 JUNE 2008

	Notes	Consolidated		Parent	
		2008	2007	**2008**	2007
		$	$	**$**	$
Continuing operations					
Sale of goods	6	**2,213,102**	1,195,116	**907,747**	1,462,551
Rendering of services	6	**128,380**	18,480	**10,325**	15,925
Finance income	6	**652,803**	205,236	**652,738**	205,202
Revenue		**2,994,285**	1,418,832	**1,570,810**	1,683,678
Income from grants and other operating income	7	**1,152,030**	726,542	**1,108,690**	726,542
Cost of goods sold		**(693,601)**	(628,653)	**(340,239)**	(692,157)
Interest expense - converting notes	8(a)	**(459,461)**	(7,564,999)	**(459,461)**	(7,564,999)
Interest expense - preference shares	8(b)	**(1,222,432)**	(2,579,824)	**(1,222,432)**	(2,579,824)
Other finance costs	8(c)	**(6,783)**	(63,516)	**(1,547)**	(63,516)
Depreciation and amortisation	8(d)	**(355,045)**	(163,631)	**(155,066)**	(154,952)
Salaries and benefits	8(e)	**(4,134,984)**	(2,961,138)	**(2,528,017)**	(2,440,462)
Advertising and promotion		**(403,084)**	(214,894)	**(147,126)**	(98,542)
Consultants fees		**(1,179,004)**	(919,361)	**(611,612)**	(669,205)
Rent and property expenses		**(315,826)**	(170,436)	**(124,994)**	(127,135)
Research and development		**(1,827,962)**	(1,517,259)	**(1,705,279)**	(1,433,832)
Travel expenses		**(811,749)**	(470,423)	**(518,528)**	(330,565)
Doubtful debt for intercompany receivable		**-**	-	**(4,408,341)**	(1,520,157)
Provision for loss on debenture	15	**(71,000)**	-	**(71,000)**	-
Other expenses	8(f)	**(2,419,512)**	(1,891,617)	**(2,339,416)**	(1,778,355)
Profit/(loss) from continuing operations before income tax		**(9,754,128)**	(17,000,377)	**(11,953,558)**	(17,043,481)
Income tax	9	**-**	(14,371)	**-**	(14,371)
Profit/(loss) from continuing operations after income tax		**(9,754,128)**	(17,014,748)	**(11,953,558)**	(17,057,852)
Discontinued operations					
Profit /(loss) from discontinued operations	32	**-**	6,888,171	**-**	6,881,264
Net profit /(loss) for the period		**(9,754,128)**	(10,126,577)	**(11,953,558)**	(10,176,588)

Earnings per share		**Consolidated**	
		2008	2007
		$	$
Loss per share from continued operations attributable to the ordinary equity holders			
Basic and diluted loss per share	11	**(0.15)**	(0.85)
Loss per share from profit attributable to the ordinary equity holders			
Basic and diluted loss per share	11	**(0.15)**	(0.50)

Balance Sheet
AS AT 30 JUNE 2008

	Notes	Consolidated		Parent	
		as at 30 June 2008 $	as at 30 June 2007 $	as at 30 June 2008 $	as at 30 June 2007 $
CURRENT ASSETS					
Cash and cash equivalents	12	8,454,469	1,612,462	8,048,467	1,569,770
Restricted cash assets	12	30,700	30,700	30,700	30,700
Trade and other receivables	13	865,787	754,186	501,248	690,514
Inventories	14	1,236,991	415,673	650,030	401,705
Prepayments		163,299	844,844	70,938	798,108
Other financial assets	15	-	117,129	-	117,129
Total Current Assets		**10,751,246**	**3,774,994**	**9,301,383**	**3,607,926**
NON-CURRENT ASSETS					
Other financial assets	15	41,597	93,550	22,550	93,550
Investment in subsidiaries		-	-	1,955,354	119
Plant and equipment	16	395,972	204,316	173,768	149,525
Intangible assets	17	1,286,046	184,785	102,483	184,785
Goodwill	17	2,040,175	-	-	-
Total Non-Current Assets		**3,763,790**	**482,651**	**2,254,155**	**427,979**
TOTAL ASSETS		**14,515,036**	**4,257,645**	**11,555,538**	**4,035,905**
CURRENT LIABILITIES					
Trade and other payables	18	1,313,413	979,044	901,251	954,321
Interest-bearing loans	20	64,024	83,082	64,024	83,082
Provisions	19	491,577	319,096	275,656	250,720
Converting notes	21	-	13,879,763	-	13,879,763
Preference A Shares	22	-	6,672,018	-	6,672,018
Total Current Liabilities		**1,869,014**	**21,933,003**	**1,240,931**	**21,839,904**
NON-CURRENT LIABILITIES					
Interest-bearing loans	20	-	64,023	-	64,023
Provisions	19	345,653	48,935	175,641	44,477
Total Non-Current Liabilities		**345,653**	**112,958**	**175,641**	**108,500**
TOTAL LIABILITIES		**2,214,667**	**22,045,961**	**1,416,572**	**21,948,404**
NET ASSETS		**12,300,369**	**(17,788,316)**	**10,138,966**	**(17,912,499)**
EQUITY					
Issued capital	23(a)	50,809,291	11,151,629	50,809,291	11,151,629
Reserves	23(b)	1,371,933	1,186,782	1,454,641	1,107,280
Accumulated losses		(39,880,855)	(30,126,727)	(42,124,966)	(30,171,408)
TOTAL EQUITY		**12,300,369**	**(17,788,316)**	**10,138,966**	**(17,912,499)**

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Cash flows from operating activities					
Receipts from customers		2,268,630	1,640,082	971,164	1,968,634
Receipts from grants		1,251,987	-	1,251,987	-
Payments to suppliers and employees		(11,531,910)	(8,134,882)	(12,728,561)	(8,548,515)
Interest received		601,696	200,771	601,696	200,737
Interest paid		(6,784)	(55,702)	(1,547)	(55,702)
R&D tax offset received		-	339,612	-	339,612
Net cash flows from operating activities	12	**(7,416,381)**	**(6,009,933)**	**(9,905,261)**	**(6,095,234)**
Cash flows from investing activities					
Payments for acquisition of businesses		73,920	-	-	-
Proceeds from sale of plant and equipment		-	14,892	-	14,892
Redemption of debentures		71,000	71,000	71,000	71,000
Investment in de-merged entity		-	(1,185,450)	-	(1,185,450)
Transaction costs on investment in de-merged entity		-	(598,880)	-	(598,880)
Transaction costs on investment in Xitron		(57,796)	(138,270)	(57,796)	(138,270)
Purchase of plant and equipment		(287,351)	(103,237)	(93,607)	(40,459)
Purchase of Intangible assets		(1,446,317)	(45,346)	(3,400)	(45,346)
Purchase of deposits		-	(8,200)	-	(8,200)
Net cash flows from investing activities		**(1,646,544)**	**(1,993,491)**	**(83,803)**	**(1,930,713)**
Cash flows from financing activities					
Proceeds from issue of IPO – Public Offer		9,792,000	-	9,792,000	-
Proceeds from issue of IPO – Redemption Issue		8,208,000	-	8,208,000	-
Proceeds from issue of series 2 converting notes		-	1,000,000	-	1,000,000
Proceeds from issue of series 3 converting notes		-	7,150,000	-	7,150,000
Proceeds from cost recoupment for transaction costs			362,138		362,138
Proceeds from issue of Pref A shares		-	2,970,840	-	2,970,840
Transaction costs from capital raise		(1,494,698)	-	(1,494,698)	-
Transaction costs on issue of converting notes		-	(56,540)	-	(56,540)
Transaction costs on issue of Preference A shares		-	(6,269)	-	(6,269)
Transaction costs on issue Ord shares		-	(770,159)	-	(770,159)
Proceeds/(Repayment) of loans from related parties		46,129	(350,000)	46,129	(350,000)
Repayment of Xitron bank loan		(562,829)	-	-	-
Repayment of borrowings		(83,081)	(72,802)	(83,081)	(72,802)
Repayment of finance lease principal		-	(10,024)	-	(10,024)
Other costs from financing activities		(589)	-	(589)	-
Net cash flows from financing activities		**15,904,932**	**10,217,184**	**16,467,761**	**10,217,184**
Net increase / (decrease) in cash held		6,842,007	2,213,760	6,478,697	2,191,237
Cash at beginning of period		1,612,462	(601,298)	1,569,770	(621,467)
Cash at closing of period	12	**8,454,469**	**1,612,462**	**8,048,467**	**1,569,770**

Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2008

Consolidated	Issued Capital	Reserves	Retained Earnings	Total
	$	$	$	$
At 1 July 2006	**7,634,040**	**803,950**	**(13,116,964)**	**(4,678,974)**
Foreign currency translation	-	79,502	-	79,502
Total income recognised in equity	-	79,502	-	79,502
Profit/(loss) for the period	-	-	(10,126,577)	(10,126,577)
Total income and expense for the period	-	79,502	(10,126,577)	(10,047,075)
Cost of share-based payment	-	303,330	-	303,330
Issue of share capital	4,989,002	-	-	4,989,002
Reduction of share capital	(1,471,413)	-	(6,883,186)	(8,354,599)
At 30 June 2007	**11,151,629**	**1,186,782**	**(30,126,727)**	**(17,788,316)**
Foreign currency translation	-	(162,210)		(162,210)
Total income recognised in equity	-	(162,210)		(162,210)
Profit/(loss) for the period	-		(9,754,128)	(9,754,128)
Total income and expense for the period	-	(162,210)	(9,754,128)	(9,916,338)
Cost of share-based payment	-	347,361		347,361
Conversion of Pref Shares to Ords	7,894,450			7,894,450
Allotment of IPO – Public Offer Ords	9,792,000			9,792,000
Allotment under IPO – Redemption Issue	8,208,000			8,208,000
Allotment on conversion of S3 Conv Notes	14,339,223			14,339,223
Allotment on acquisition of Xitron Tech.	1,156,418			1,156,418
Shares to be issued Xitron Tech – Milestone 1	405,058			405,058
Costs of IPO – Capital Raising	(2,137,487)			(2,137,487)
At 30 June 2008 note 23	**50,809,291**	**1,371,933**	**(39,880,855)**	**12,300,369**

Parent	Issued Capital	Reserves	Retained Earnings	Total
	$	$	$	$
At 1 July 2006	**7,634,040**	**803,950**	**(13,111,635)**	**(4,673,645)**
Profit/(loss) for the period			(10,176,588)	(10,176,588)
Cost of share-based payment		303,330	-	303,330
Issue of share capital	4,989,002	-	-	4,989,002
Reduction of share capital	(1,471,413)	-	(6,883,185)	(8,354,598)
At 30 June 2007	**11,151,629**	**1,107,280**	**(30,171,408)**	**(17,912,499)**
Profit/(loss) for the period			(11,953,558)	(11,953,558)
Cost of share-based payment		347,361	-	347,361
Conversion of Pref Shares to Ords	7,894,450	-	-	7,894,450
Allotment of IPO – Public Offer Ords	9,792,000	-	-	9,792,000
Allotment under IPO – Redemption Issue	8,208,000	-	-	8,208,000
Allotment on conversion of S3 Conv Notes	14,339,223	-	-	14,339,223
Allotment on acquisition of Xitron Tech.	1,156,418	-	-	1,156,419
Shares to be issued Xitron Tech – Milestone 1	405,058	-	-	405,058
Costs of IPO – Capital Raising	(2,137,487)	-	-	(2,137,487)
At 30 June 2008 note 23	**50,809,291**	**1,454,641**	**(42,124,966)**	**10,138,966**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

1 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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
Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilize those temporary differences.

Impairment of non-financial assets other than goodwill
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. If an impairment trigger exists the recoverable amount of the asset is determined.

The impairment triggers used by the Group did not show any indication of impairment as at 30 June 2008. As a result, no impairment has been formally estimated and no impairment loss has been recognised for this financial period. Refer to Note 17 for the complete details regarding impairment testing.

Classification of assets and liabilities as held for sale
The Group classifies assets and liabilities as held for sale when its carrying amount will be recovered through a sales transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

Capitalised development costs
Development costs are only capitalized by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

Taxation
The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

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

Impairment of goodwill and intangibles with indefinite useful lives
The Group determined whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. 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. Management determined that no impairment loss should be recognised for this financial reporting. The assumptions used in this estimation of goodwill and intangibles with indefinite useful lives are discussed in Note 17.

Share based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by management and then verified by an external valuer. The Black Scholes model is used, with the assumptions detailed in Note 28. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Long service leave
The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases have been taken into account.

Product and Service warranties
In determining the level of provision required for service warranties the Group has made judgements in respect of the expected performance of the product, number of customers who will actually use the maintenance warranty and how often, and the costs of fulfilling the performance of the maintenance warranties. Historical experience and current knowledge of the performance of products has been used in determining this provision. The related carrying amounts are disclosed in Note 19.

Estimation of useful lives of assets
The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for demo devices). In addition, the condition of the assets is assessed at least twice per year (once by year-end and once by half year-end reporting dates) and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Depreciation charges are included in Note 16.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

2 Summary of significant accounting policies

Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar (AU $) unless otherwise noted.

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) New accounting standards and interpretations

Except for amendments arising from AASB 2007-4: *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*, which the Group has adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2008. These are outlined in the table below:

Reference	*Title*	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-5 & AASB 2008-6	*Amendments to Australian Accounting Standards arising from the Annual Improvements Project* *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 1 July 2009		1 July 2009
AASB 2008-7	*Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a	1 January 2009		1 July 2009

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

		subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value (An issue sometimes known as a "dividend trap" in newcos).			
AASB Int. 12 and AASB 2007-2	*Service Concession Arrangements and consequential amendments to other Australian Accounting Standards*	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 January 2008	Unless the Group enters into service concession arrangements or public-private-partnerships (PPP), the amendments are not expected to have any impact on the Group's financial report.	1 July 2008
AASB Int. 4 (Revised)	*Determining whether an Arrangement contains a Lease*	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB 8 and AASB 2007-3	*Operating Segments and consequential amendments to other Australian Accounting Standards*	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	*Borrowing Costs and consequential amendments to other Australian Accounting Standards*	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (Revised) and AASB 2007-8	*Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards*	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	*Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations*	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 2008-2	*Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation*	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

AASB 3 (Revised)	*Business Combinations*	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	*Consolidated and Separate Financial Statements*	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	*Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
Amendments to International Financial Reporting Standards	*Eligible Hedged Items*	To clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.	1 July 2009		1 July 2009
Amendments to International Financial Reporting Standards***	*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

Amendments to International Financial Reporting Standards***	*Improvements to IFRSs*	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

Adoption of new accounting standards
The Group has adopted AASB 7 Financial Instruments: Disclosures and all consequential amendments which became applicable on 1 January 2007. These standards are disclosures; therefore there has been no affect on profit and loss or the financial position of the entity. Please refer to Notes 3 and 4.

The Group has adopted AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB133, AASB 139, AASB 1, AASB 4 AASB 1023 & AASB 1038] and all consequential amendments which became applicable on 1 January 2007. These standards are disclosures; therefore there has been no affect on profit and loss or the financial position of the entity.

The Group has adopted AASB 2007-4: *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments.*

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of ImpediMed Limited and all its subsidiaries as at 30 June 2008 (the Group).

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and loss resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition (see Note 2 (d)).

(d) Business combinations – refer to Note 31

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

(e) Segment Reporting – refer Note 5

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are subject to risks and returns that are different to those of other operating business segments. Management has assessed the reportable business segments under AASB 114 Segment Reporting and have determined that on adoption of AASB 8 Segment Reporting (applicable from 1 July 2009), additional operating segments will most likely be reported. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(f) Foreign currency translation

(i) Functional and presentation currency
Both the functional and the presentation currency of ImpediMed Limited are Australian dollars ($). The United States subsidiaries' functional currency is United States Dollars which is translated to presentation currency (see below).

(ii) Transactions & balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of Group Companies functional currency to presentation currency
The results of the United Sates subsidiaries are translated into Australian Dollars as at the date of each transaction. Assets and liability are translated at exchange rates prevailing at balance date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

(g) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above excluding outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

(h) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(i) Inventories – refer to Note 14

Inventories including raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including the transfer from equity of gains and losses on qualifying cash flow hedges of purchases of raw materials, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(j) Non-current assets and disposal groups held for sale and discontinued operations – refer Note 32

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resell. The results of discontinued operations are presented separately on the face of the income statement and the assets and liabilities are presented separately on the face of the balance sheet.

(k) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and De-recognition
All regular way purchases and sales of financial assets are recognised on the trade date ie the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets unde4r contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are de-recognised when the right to receive cash flows from the financial assets have expired or been transferred.

(i) Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.
(ii) Loans and receivables
Loans and receivables including loan notes and loans to KMP are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

de-recognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance sheet date, which are classified as non-current.

(l) Property, plant and equipment – refer Note 16

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight line basis over the estimated useful life of the specific assets as follows:

Plant and equipment	2 to 15 years
Plant and equipment under finance lease	3 years
Leasehold improvements	2 years

The assets' residual values useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

De-recognition
An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(ii) Group as a lessor
Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(n) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

ImpediMed Limited conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(o) Goodwill and intangibles – refer Note 17

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated includes (see Note 17):

- Corporate Medical cash generating units
- Test & Measurement cash generating units

Impairment is determined by assessing the recoverable amount of the cash generating unit or group of cash generating units to which the goodwill relates.

ImpediMed Limited performs its impairment testing as at 30 June each year using a value in use, discounted cash flow methodology for both the Corporate Medical cash generating units and now the Test & Measurement ash generating units to which goodwill and indefinite lived intangibles have been allocated. Further details on the methodology and assumptions used are outlined in Note 17.

When the recoverable amount of the cash-generating unit or group or cash generating units is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed. When goodwill forms part of a cash generating unit of group of cash generating units and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Intangibles
Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with useful life is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

Research and development costs
Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following initial recognition, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

A summary of the policies applied to the Group's intangible assets is as follows:

	Patents and Licences	*Development Costs**
Useful lives	Finite	Finite
Method used	Straight line amortisation	Straight line amortisation
Internally generated/ Acquired	Acquired	Internally generated
Impairment test/ Recoverable amount test	Annually as at 30 June and when an indication of impairment exists	The amortisation method is reviewed each financial year-end and reviewed annually for impairment indicators

No development costs have been capitalised as internally generated intangible assets for the years ending 30 June 2008 and 30 June 2007

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

(p) Trade and other payables

Trade payables and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect to the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Interest-bearing loans and borrowings – refer Note 20

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium at settlement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs
Borrowing costs are recognised as an expense when incurred. ImpediMed Limited does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

(r) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits
Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave, and superannuation payments and expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(s) Share-based payment transactions – refer Note 28

Equity-settled transactions
The Group provides benefits to employees (including KMP) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently three plans in place to provide these benefits:
- the Employee Share Options Plan (ESOP), which provides benefits to employees, excluding the CEO;
- the CEO Option Plan, which provides benefits to the CEO; and
- the Employee Performance Share plan, which provides benefits to all employees.

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an options pricing model, which is later confirmed by a third party, further details of which are given in Note 28.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of ImpediMed Limited (market conditions) if applicable.

The cost of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service condition are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

- the grant date fair value of the award
- the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

Equity-settled awards granted by ImpediMed Limited to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by ImpediMed Limited in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer award vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share – of which is currently not applicable to ImpediMed Limited.

(t) Converting notes

Converting notes are recognised at amortised cost, net of transaction costs, as a liability as the holders of the notes are not exposed to changes on the fair value of the issuer's equity instruments. In determining the fair value of the converting notes, the discount receivable at conversion date is taken into account. The increase in the liability due to the passage of time is recognised as a finance cost. Refer to Note 21 for further details.

(u) Preference shares

Preference shares are recognised at amortised cost, net of transaction costs, as a liability as the holders of the shares are not exposed to changes on the fair value of the issuer's equity instruments. In determining the fair value of the preference shares, the discount receivable at conversion date is taken into account. The increase in the liability due to the passage of time is recognised as a finance cost. Refer to Note 22 for further details.

(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.

(w) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed (for shipped goods this is the bill of lading date).

Rendering of services

Revenue from the repair of instruments is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract which is determined by a set quotation with the customer.

When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Device operating leases
Revenue from device operating leases is accounted for on a straight line basis over the lease term.

Interest revenue
Revenue is recognised as interest accrues using the effective interest rate method. 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.

Dividends
Revenue is recognised when the shareholders' right to receive the payment is established.

(x) Income tax and other taxes – refer Note 9

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates, or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Government grants

Government grants are recognised in the balance sheet as a liability when the grant is received.

When the grant relates to an expense item (research and development grants for medical devices), it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate, currently a two year project extended through March 2009. They are not credited directly to shareholders' equity.

Where the grant relates to an asset, the fair value is credited to deferred income and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(z) Earnings per share – refer Note 11

Basic earnings per share are calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share, which are currently not applicable to the Group due to the net carrying loss, are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(iii) **Going concern**

This report has been prepared on the basis that the company and Group are going concerns. The company and the consolidated entity have net assets of $10,138,966 and $12,300,369 respectively (30 June 2007: negative $17,912,499 and negative $17,788,316 respectively) and realised a loss after income tax of $11,953,558 and $9,754,128, respectively for the year ended 30 June 2008.

Subsequent to 30 June 2008 balance date the company has raised $4.2 Million. On the basis that commercialisation milestones continue to be achieved directors expect that the business plan of the company will remain attractive to investors and that further capital raising is likely to be successful.

Management operating plans have been set such that cash on hand at the date of signing (which includes the additional $4.2 Million raised) is expected to last in excess of 12 months.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

The directors believe there are reasonable grounds to believe that the company and the consolidated entity will be able to obtain additional equity funding to support its future activities and therefore that the going concern basis is appropriate.

With the funds on hand, and further raisings expected (and a history of successful capital raising) the directors believe the group will have sufficient working capital to carry out its business objectives and meet its commitments for a period of greater than twelve months.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

3 Financial risk management objectives and policies

(a) Financial risk management

The Group's principal financial instruments comprise receivables, payables, bank loans, debentures, convertible notes, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various financial instruments such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, and foreign currency risk. The Group manages its exposure to these risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security. The board reviews and agrees to policies for managing these risks and interest rate risk which are recognized below.

(b) Risk exposures and responses

(i) Interest rate risk

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian Variable interest rate risk that are not designated in cash flow hedges:

	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Financial Assets				
Cash and cash equivalents	**8,454,469**	1,612,462	**8,048,467**	1,569,770
Related party loans	-	46,129	-	46,129
Other financial assets	**60,049**	8,942	**60,049**	8,942
	8,514,518	1,667,533	**8,108,516**	1,624,841
Financial Liabilities				
Bank loans	**64,024**	147,105	**64,024**	147,105
Convertible notes	-	20,551,781	-	20,551,781
	64,024	20,698,886	**64,024**	20,698,886
Net exposure	**8,578,542**	(19,031,353)	**8,172,540**	(19,074,045)

The Group does not enter into interest rate swaps, designated to hedge underlying assets or debt obligations, to manage the interest rate risk.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates.

At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity (excluding retained earnings) would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Loss (Higher)/Lower		**Equity Higher/(Lower)**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Consolidated				
+1.0% (100 basis points)	**84,505**	190,313	**-**	-
-0.5% (50 basis points)	**(42,253)**	95,156	**-**	-
Parent				
+1.0% (100 basis points)	**81,725**	(190,740)	**-**	-
-0.5% (50 basis points)	**(40,863)**	95,370	**-**	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

The Group believes that the carrying amount approximates fair value because of their short term to maturity.

(ii) Foreign currency risk

The Group has transactional currency exposure resulting from significant sales activities into the United States and into Europe, and from its wholly owned subsidiaries ImpediMed Inc and Xitron Technologies, Inc – whose operations are denominated in United States dollars (USD).

As a result of significant operations in the United States and large purchases of inventory denominated in USD, the Group's balance sheet can be affected significantly by movements in the US$/AU$ exchange rates.

The Group does not currently enter into any forward contracts or any other instrument to hedge the currency exposure, but the board from time to time reviews the value of hedging in this manner.

At 30 June 2008, the Group had the following exposure to US$ foreign currency:

	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Financial Assets				
Cash and cash equivalents	**327,945**	43,394	-	-
Deposits	**19,047**	300	**-**	-
Trade and other receivables (USD)	**391,995**	76,204	**21,065**	76,204
Trade and other receivables (EU)	**374,492**	290,707	**374,492**	290,707
	1,113,479	409,903	**395,857**	367,211
Financial Liabilities				
Trade and other payables	**383,270**	86,240	**38,232**	65,153
	383,270	86,240	**38,232**	65,153
Net exposure	**730,209**	329,663	**357,625**	301,904

The Group does not currently participate in hedging for foreign currency risk.

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date:

At 30 June 2008, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity (excluding retained earnings) would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Loss (Higher)/Lower		**Equity Higher/(Lower)**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Consolidated				
AUD/USD +10%	**73,021**	32,366	**-**	-
AUD/USD -5%	**(36,510)**	(16,183)	**-**	-
Parent				
AUD/USD +10%	**35,763**	30,190	**-**	-
AUD/USD -5%	**(17,881)**	(15,095)	**-**	-

Management believes the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

(iii) Price risk

The Group's exposure to commodity and equity securities price risk is minimal.

Equity securities price risk arises from investments in equity securities. The Group does not currently invest in any equity investments, thus making this risk immaterial.

(iv) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group seeks to trade only with recognized, creditworthy third parties, and as such collateral is typically not requested nor is it the Group's policy to securitise its trade and other receivables. It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from other financial assets of the Group, the exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions to minimize the risk of default of counterparties.

(v) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, preference shares, finance leases and committed available credit lines.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognized financial assets and liabilities as of 30 June 2008. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2008.

Maturity analysis of financial assets and liability based on management's expectation.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables, and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital e.g. inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, ImpediMed Limited has established comprehensive risk reporting covering their worldwide business unit that reflects expectations of management of expected settlement of financial assets and liabilities.

Year ended 30 June 2008	**6 months**	**6-12 months**	**1-5 years**	**Total**
	$	**$**	**$**	**$**
Consolidated				
Financial Assets				
Cash and cash equivalents	**8,454,469**	**-**	**-**	**8,454,469**
Restricted Cash	**30,700**	**-**	**-**	**30,700**
Trade and other receivables	**840,694**	**25,093**	**-**	**865,787**
Available for-sale financial assets	**-**	**-**	**-**	**-**
	9,325,863	**25,093**	**-**	**9,350,956**
Consolidated				
Financial Liabilities				
Trade and other payables	**1,087,475**	**225,937**	**-**	**1,313,412**
Interest bearing loans and borrowings	**-**	**64,024**	**-**	**64,024**
	1,087,475	**289,961**	**-**	**1,377,436**
Net maturity	**8,238,388**	**(264,868)**	**-**	**7,973,520**

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

Year ended 30 June 2008	6 months $	6-12 months $	1-5 years $	Total $
Parent				
Financial Assets				
Cash and cash equivalents	**8,048,467**	**-**	**-**	**8,048,467**
Restricted cash	**30,700**	**-**	**-**	**30,700**
Trade and other receivables	**501,248**	**-**	**-**	**501,248**
	8,580,415	**-**	**-**	**8,580,415**
Parent				
Financial Liabilities				
Trade and other payables	**806,238**	**95,013**	**-**	**901,251**
Interest bearing loans and borrowings	**-**	**64,024**	**-**	**64,024**
	806,238	**(159,037)**	**-**	**965,275**
Net maturity	**7,774,177**	**(159,037)**	**-**	**7,615,140**

The Group monitors rolling forecasts of liquidity on the basis of expected cash flow.

4. Financial Instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements at other than fair values.

	Carrying amount		Fair value	
	2008 $	2007 $	**2008** $	2007 $
Consolidated				
Financial assets				
Cash and cash equivalents	**8,454,469**	1,612,462	**8,454,469**	1,612,462
Restricted cash	**30,700**	30,700	**30,700**	30,700
Trade and other receivables	**865,787**	754,186	**865,787**	754,186
	9,350,956	2,397,348	**9,350,956**	2,397,348
Financial liabilities				
Trade and other payables	**1,313,412**	979,044	**1,313,412**	979,044
Borrowings	**64,024**	147,105	**64,024**	147,105
Convertible notes	-	13,879,763	-	13,879,763
Preference shares	-	6,672,018	-	6,672,018
	1,377,436	21,677,930	**1,377,436**	21,677,930
Parent				
Financial assets				
Cash and cash equivalents	**8,048,467**	1,569,770	**8,048,467**	1,600,470
Restricted cash	**30,700**	30,700	**30,700**	30,700
Trade and other receivables	**501,248**	690,514	**501,248**	690,514
	8,580,415	2,321,684	**8,580,415**	2,321,684
Financial liabilities				
Trade and other payables	**901,251**	954,321	**901,251**	954,321
Fixed rate borrowings	**64,024**	147,105	**64,024**	147,105
Convertible notes	-	13,879,763	-	13,879,763
Preference shares	-	6,672,018	-	6,672,018
	965,275	21,653,207	**965,275**	21,653,207

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

Fair values have been determined as follows:

Cash	The carrying amount approximates fair value because of the short-term to maturity
Trade receivables and payables	The carrying amount approximates fair value
Other financial assets	By reference to the current market value of another instrument which is substantially the same or is calculated based on expected cash flows or the underlying net asset base of the financial asset
Short-term borrowings	The carrying amount approximates fair value because of the short-term to maturity
Long-term borrowings	Discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements

5 Segment Reporting

(a) Cash-generating units

The Group's primary segment reporting format is business segments as the Group's risks and returns are affected predominantly by differences in the products and services produced. Secondary segment information is reported geographically.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with the main strategic business segment being the Medical field.

The Medical segment is a supplier of non-invasive medical devices to two under-served markets: (1) the assessment of individuals at risk of secondary lymphoedema and (2) the monitoring of body composition and hydration.

Test & Measurement segment is a supplier of power precision testing & measuring equipment.

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

	Continuing Operations		
	Medical	**Test & Measurement**	**Total**
	$	**$**	**$**
Year ended 30 June 2008			
Revenue			
Device Sales to external customers	1,071,146	937,698	2,008,844
Impact Leases to external customers	74,481	-	74,481
Consumable Sales to external customers	69,717	60,060	129,777
Other revenue	15,974	112,306	128,280
Inter-segment Device Sales	168,024	-	168,024
Other Inter-segment Sales	49,239	-	49,239
Total segment revenue	1,448,581	1,110,064	2,558,645
Inter-segment elimination			(217,263)
Unallocated revenue			652,903
Total consolidated revenue			2,994,285

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

Result			
Segment results	(12,529,809)	(210,720)	(12,740,529)
Depreciation expenses	(186,586)	(168,459)	(355,045)
Profit / (loss) before tax and finance costs			(13,095,574)
Finance costs			(1,688,676)
Eliminations			5,030,122
Profit / (loss) before income tax			(9,754,128)
Income tax expense			-
Net profit / (loss) for the year			(9,754,128)
Assets and liabilities			
Segment assets	13,083,283	1,521,999	14,605,282
Eliminations			(90,246)
Total assets			14,515,036
Segment liabilities	6,244,796	2,028,216	8,273,012
Eliminations			(6,058,345)
Total liabilities			2,214,667
Other segment information			
Capital Expenditure	1,606,820	21,305	1,628,125
Depreciation and amortisation	349,696	5,349	355,045
Provision for inventory write off	36,536	25,722	62,258
Other non-cash expenses	2,029,254	-	2,029,254
Cash flow information			
Net cash flow from operating activities	(7,528,197)	111,816	(7,416,381)
Net cash flow from investing activities	(266,118)	(1,380,426)	(1,646,544)
Net cash flow from financing activities	16,467,761	(562,829)	15,904,932

The company operated in only one business segment, being Medical segment, for the year ended 30 June 2007.

(b) Region

The following tables present revenue and profit/(loss) information and certain asset and liability information regarding business segments for the years ended 30 June 2008 and 30 June 2007.

Australia
Australia is the corporate home office of the Group and the domiciliation of its main assets, research and product development activities and corporate services.

United States of America
The 1 October 2007 acquisition of Xitron Technologies Inc gave the group an expanded presence in the United States.

Building on the presence of Xitron Technologies Inc in San Diego, ImpediMed Inc officially opened its new San Diego US headquarters in June 2008, giving the Group the infrastructure to focus on expansion and development of the US market for its devices.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

	Australia $	United States $	Total $
Year ended 30 June 2008			
Revenue			
Device Sales to external customers	639,438	1,369,406	2,008,844
Impact Leases to external customers	13,405	61,076	74,481
Inter-segment revenue	217,263	-	217,263
Consumable Sales to external customers	37,641	92,136	129,777
Other revenue	10,325	117,955	128,280
External revenue	918,072	1,640,573	2,558,645
Unallocated revenue			652,903
Inter-segment elimination			(217,263)
Segment revenue			2,994,285
Other segment information			
Segment assets	11,532,086	2,800,555	14,332,641
Eliminations			182,395
Total assets			14,515,036
Capital expenditure	1,142,357	485,768	1,628,125
Year ended 30 June 2007			
Revenue			
Device Sales to external customers	863,599	268,173	1,131,772
Impact Leases to external customers	-	9,834	9,834
Inter-segment revenue	556,906	-	556,906
Consumable Sales to external customers	42,046	11,464	53,510
Other revenue	15,925	2,555	18,480
External revenue	1,478,476	292,026	1,770,502
Unallocated revenue			-
Segment revenue			1,770,502
Other segment information			
Segment assets	4,035,905	506,736	4,542,641
Unallocated assets			-
Eliminations			(284,996)
Investment in an associate			-
Total assets			4,257,645
Capital expenditure	119,463	62,778	182,241

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

6 Revenue

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Sale of goods				
Device sales	**2,008,844**	1,131,772	**807,462**	1,392,893
Consumable sales	**129,777**	53,510	**43,202**	65,035
Device operating leases	**74,481**	9,834	**57,083**	4,623
	2,213,102	1,195,116	**907,747**	1,462,551
Rendering of services				
Service revenue	**98,297**	12,857	**12,515**	12,857
Freight and discounts	**30,083**	5,623	**(2,190)**	3,068
	128,380	18,480	**10,325**	15,925
Interest revenue				
Interest income – bank deposits	**210,498**	190,998	**210,433**	190,964
Interest income – term deposits	**433,301**	-	**433,301**	-
Interest income – debentures	**9,004**	14,238	**9,004**	14,238
	652,803	205,236	**652,738**	205,202
Total revenue from sale of goods and services	**2,994,285**	1,418,832	**1,570,810**	1,683,678

7 Other Income

Cost recoupment from ICS (i)	**-**	362,138	**-**	362,138
Service income from ICS (ii)	**33,989**	69,716	**33,989**	69,716
Government grants – commercial ready grant (iii)	**1,075,787**	287,481	**1,075,787**	287,481
Other	**42,254**	7,207	**(1,086)**	7,207
	1,152,030	726,542	**1,108,690**	726,542

(i) Recoupment of transaction costs incurred in relation to the incorporation of ICS and asset sale to ICS during the year ended 30 June 2007 from ICS.

(ii) The company charges ICS for R&D services provided to ICS.

(iii) Government grants received during the year pertain to AusIndustry's Commercial Ready Grant program for the development of second generation medical devices.

ImpediMed Limited is eligible to receive additional grant funds from this grant through 31 March 2009.

ImpediMed Limited completes quarterly progress reports for AusIndustry to ensure continued adherence to any conditions or contingencies attached to the grants.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

8 Expenses

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
(a) Interest expense – converting notes				
Non-cash expense for discount on conversion of series 1 notes to ordinary shares	**-**	47,857	**-**	47,857
Non-cash expense for discount on conversion of series 2 notes to preference shares	**-**	703,031	**-**	703,031
Non-cash expense for bonus notes issuable on series 3 notes	**447,924**	6,741,299	**447,924**	6,741,299
Expense for warrant coverage	**-**	2,732	**-**	2,732
Amortisation of issue costs for series 1 notes	**-**	1,838	**-**	1,838
Amortisation of issue costs for series 2 notes	**-**	23,239	**-**	23,239
Amortisation of issue costs for series 3 notes	**11,537**	45,003	**11,537**	45,003
	459,461	7,564,999	**459,461**	7,564,999
(b) Interest expense – preference shares				
Non-cash expense for issue of bonus preference A1 shares	**682,320**	1,398,073	**682,320**	1,398,073
Non-cash expense for issue of bonus preference A2 shares	**503,969**	976,269	**503,969**	976,269
Amortisation of issue costs for preference shares	**36,143**	205,482	**36,143**	205,482
	1,222,432	2,579,824	**1,222,432**	2,579,824
I Other finance costs				
Bank loans and overdrafts	**5,014**	2,324	-	2,324
Other loans	**13,697**	60,365	**13,697**	60,365
Other finance charges	**(11,928)**	827	**(12,150)**	827
	6,783	63,516	**1,547**	63,516
(d) Depreciation, impairment and □recognized□n included in income statement				
Depreciation of property, plant and equipment	**90,502**	79,057	**55,818**	70,378
Amortisation of leasehold improvements	**3,930**	2,028	**3,390**	2,028
Amortisation of patents and licenses	**218,110**	55,000	**55,000**	55,000
Amortisation of software	**32,347**	26,757	**30,702**	26,757
Depreciation of device operating leases	**10,156**	789	**10,156**	789
	355,045	163,631	**155,066**	154,952
(e) Employee benefits expense				
Wages and salaries	**2,507,244**	1,659,182	**1,407,928**	1,346,255
Superannuation expense	**211,230**	194,270	**190,820**	186,767
Annual leave & long service leave expense	**201,379**	116,420	**129,784**	116,420
Share-based payments expense	**318,983**	272,130	**263,056**	209,540
Motor vehicle novated lease payments	**188,600**	246,150	**188,600**	246,150
Payroll tax expenses	**136,978**	86,128	**98,717**	86,128
Performance & sales bonus	**488,590**	357,758	**249,112**	249,202
Other employee benefits expense	**81,980**	29,100	-	-
	4,134,984	2,961,138	**2,528,017**	2,440,462

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

(f) Other expenses				
Trademark and patent expense	**341,945**	127,985	**341,945**	127,985
Communication expense	**151,330**	113,420	**112,319**	92,176
Legal expense	**127,978**	558,815	**115,936**	546,554
Bad and doubtful debt expenses	**255,914**	3,283	**230,841**	3,283
Directors fees	**215,000**	166,518	**215,000**	166,518
Insurance expense	**148,445**	180,753	**142,788**	180,753
Net loss on disposal of plant and equipment	**-**	16,398	**-**	16,398
Net loss on foreign exchange	**61,353**	127,558	**496,654**	124,387
Share-based payment expense – EDN	**7,329**	-	**7,329**	-
Other expenses	**1,110,218**	596,887	**676,604**	520,301
	2,419,512	1,891,617	**2,339,416**	1,778,355

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

9 Income tax

The major components of income tax are:

(a) Income tax expense

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Current income tax				
Current income tax benefit	-	(14,371)	-	(14,371)
Deferred income tax				
Relating to origination and reversal of temporary differences	-	-	-	-
Income tax benefit reported in the Income Statement	-	(14,371)	-	(14,371)

(b) Income statement disclosure

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
A reconciliation between tax expense and the accounting profit before income tax multiplied by the Group's applicable tax rate is as follows:				
Accounting profit/(loss) before tax from continuing operations	**(9,754,128)**	(17,000,377)	**(11,953,558)**	(17,043,481)
Accounting profit before tax from discontinued Operations	**-**	6,888,171	**-**	6,881,264
Accounting loss before income tax	**(9,754,128)**	(10,112,206)	**(11,953,558)**	(10,162,217)
Prima facie tax on profit/(loss)	**(2,926,238)**	(3,033,662)	**(3,586,067)**	(3,048,665)
Adjustment for current income tax of previous years	**-**	(14,371)	**-**	(14,371)
Expenditure not allowable for income tax purposes	**904,514**	4,623,674	**2,195,649**	4,623,673
Other assessable income	**2,683**	5,120	**2,683**	5,120
Non assessable income	**(51,399)**	(2,154,751)	**(51,399)**	(2,154,751)
Other deductible expenses	**(433,294)**	(186,580)	**(242,890)**	(186,580)
Additional deduction for Research & Development	**(30,679)**	(332,810)	**(30,679)**	(332,810)
Foreign tax rate adjustment	**(78,247)**			
Tax losses utilised				
Tax losses not recognised	**2,612,661**	1,079,009	**1,712,703**	1,094,013
Income tax reported in the income statement	**-**	(14,371)	**-**	(14,371)

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

I Deferred tax disclosures

Recognised deferred tax assets and liabilities

Deferred income tax at 30 June relates to the following:

	Balance Sheet		Income Statement	
	2008	2007	**2008**	2007
	$	$	**$**	$
Consolidated				
Deferred tax assets				
Doubtful debts	**73,591**	-	**-**	-
Employee Entitlements	**179,170**	77,719	**-**	-
s40-880 costs	**793,846**	414,987	**-**	-
Deferred rent	**-**	3,053	**-**	-
Patent Costs	**211,213**	62,306	**-**	-
Sundry creditors and accruals	**248,464**	392,250	**-**	-
Losses available for offset against future taxable income (i)	**6,090,045**	3,240,124	**-**	-
Deferred tax liabilities				
Income not derived for tax purposes	**(51,399)**		**-**	-
	7,544,930	4,190,439	**-**	-
Deferred tax assets not recognisable	**(7,544,930)**	(4,190,439)	**-**	-
Net deferred tax balance per accounts	**-**	-	**-**	-

	Balance Sheet		Income Statement	
	2008	2007	**2008**	2007
	$	$	**$**	$
PARENT				
Deferred tax assets				
Doubtful debts	**71,547**			
Employee Entitlements	**87,605**	77,719	**-**	-
s40-880 costs	**793,846**	414,987	**-**	-
Deferred rent	**-**	3,053	**-**	-
Patent Costs	**146,296**	62,306	**-**	-
Sundry creditors and accruals	**189,373**	392,250	**-**	-
Impairment of intercompany loans	**1,778,669**		**-**	-
Losses available for offset against future taxable income (i)	**5,190,087**	3,240,124	**-**	-
Deferred tax liabilities			**-**	-
Income not derived for tax purposes	**(51,399)**			
Net deferred tax asset	**8,206,024**	4,190,439	**-**	-
Deferred tax assets not recognisable	**(8,206,024)**	(4,190,439)	**-**	-
Net deferred tax balance per accounts	**-**	-	**-**	-

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

(i) "Losses available for offset against future taxable income" was incorrectly stated in the Financial Report for the year ended 30 June 2007. The losses should have been recognized at 30% of their full value. This error had no financial effect on the Group or the Company.

(d) Tax losses

The Group has tax losses in Australia of $17,300,290 (2007: $10,800,412) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose, subject to satisfying the relevant income tax loss carry forward rules.

The company has US federal and state net operating loss carry forwards of approximately $2,261,200 which expire in 2028.

10 Dividends paid and proposed

There were no dividends paid or proposed during the current fully-year reporting period.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

11 Earnings per share

Basic earnings per share amounts are calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of \ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the net loss attributable to ordinary equity holders and the weighted average number of ordinary shares used in the calculations of basic and diluted earnings per share:

	Consolidated	
	2008	2007
	$	$
Net loss used in calculating basic and diluted earnings per share	**(9,754,128)**	(10,126,577)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**65,288,401**	22,318,021
Basic and diluted earnings per share	**(0.15)**	(0.50)

Subsequent to the close of the current reporting year, ImpediMed Limited issued 5,600,001 ordinary shares under two separate ordinary placements (4,000,000 and 1,600,000 respectively). Refer Note 33 additional information.

There have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

The options are non-dilutive as the company is in losses.

12 Current assets - cash and cash equivalents

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Cash at bank and in hand	**413,899**	136,527	**85,954**	93,835
Short term deposits	**8,040,570**	1,475,935	**7,962,513**	1,475,935
Cash and cash equivalents	**8,454,469**	1,612,462	**8,048,467**	1,569,770
Short-term deposits – restricted	**30,700**	30,700	**30,700**	30,700

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

12 Current assets - cash and cash equivalents (continued)

Reconciliation from net loss after tax to net cash flow from operations

	Consolidated		*Parent*	
	2008	2007	**2008**	2007
	$	$	**$**	$
Net loss after tax	**(9,754,128)**	(10,126,577)	**(11,953,558)**	(10,176,588)
Adjustments for:				
Depreciation and amortisation expense	**355,045**	163,631	**155,066**	153,374
Gain on disposal of cardio assets	**-**	(6,888,171)	**-**	(6,881,264)
Loss on disposal of plant and equipment	**-**	16,398	**-**	16,398
Doubtful debt expense	**255,914**	3,283	**230,841**	3,283
Interest expense converting notes	**459,461**	7,564,999	**459,461**	7,564,999
Interest expense preference shares	**1,222,432**	2,579,824	**1,222,432**	2,579,824
Deferred expense transaction costs	**-**	895,586	**-**	903,198
Deferred rent expense	**-**	2,646	**-**	(1,135)
Share-based payment expense	**347,361**	303,330	**290,982**	240,740
Impairment of debenture	**71,000**	-	**71,000**	-
Foreign currency reserve	**(67,611)**	-	**-**	-
Unrealised foreign currency loss	**61,353**	-	**438,674**	
Intercompany provision	**-**		**(4,408,341)**	
Changes in assets and liabilities:				
(Increase)/decrease in inventories	**(723,591)**	183,355	**(248,325)**	197,323
(Increase)/decrease in receivables	**(348,158)**	27,894	**(41,300)**	91,566
(Increase)/decrease in prepayments	**(99,027)**	(439,430)	**(53,404)**	(392,694)
(Increase)/decrease in intercompany receivables	**-**	-	**(4,988,502)**	
(Decrease)/increase in payables	**334,369**	(416,747)	**(53,069)**	(441,470)
(Decrease)/increase in provisions	**469,199**	120,046	**156,100**	47,212
Net cash from operating activities	**(7,416,381)**	**(6,009,933)**	**(9,905,261)**	**(6,095,234)**

13 Current assets - trade and other receivables

	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Trade receivables	**914,196**	429,864	**543,666**	366,192
Intercompany receivable	**-**	-	**5,928,498**	1,520,127
Provision for intercompany receivable	**-**	-	**(5,928,498)**	(1,520,127)
Allowance for impairment loss	**(244,840)**	(8,283)	**(238,849)**	(8,283)
Interest receivables	**60,049**	8,942	**60,049**	8,942
Grant receivables	**111,281**	287,481	**111,281**	287,481
Tax and other receivables	**25,101**	36,182	**25,101**	36,182
	865,787	754,186	**501,248**	690,514

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

(a) Allowance for impairment loss on current assets

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

An impairment loss of $244,840 has been recognised by the Group and $238,849 by the Company for the current year.

Movements in the provision for impairment loss were as follows:

	2008	2007	**2008**	2007
	$	$	**$**	$
At 1 July	**8,283**	5,000	**8,283**	5,000
Charge for the year	**294,049**	-	**294,049**	-
Foreign exchange translation	**(2,292)**	(15,206)	**(2,292)**	(15,206)
Amounts reversed	**(55,200)**	-	**(61,191)**	-
Amounts written off	**-**	18,489	**-**	18,489
At 30 June	**244,840**	8,283	**238,849**	8,283

The remaining receivables past due but not considered impaired are considered immaterial by management. The increase in open trade receivables (2008: $914,196; 2007: $429,864) is largely due to an increase in sales in the closing month of the current reporting period (June 2008: $456,122).

The charge for the year relates primarily to a debt from a distributor. The debt in question has been provided for as a doubtful debt on the basis that it is greater than 12 months old, and may not be fully recovered, though the company has a strategy it is working through with the distributor which may result in partial or full recovery of the provided amount.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

14 Current assets - inventories

	Consolidated		Parent	
	2008 AU $	2007 AU $	**2008 AU $**	2007 AU $
Work-in-progress (at cost)	**203,414**	-	**-**	-
Inventory held by Contract Manufacturer AU (at cost)	**175,021**	-	**175,021**	-
Inventory held by Contract Manufacturer US (at cost)	**19,941**	-	**-**	-
Finished Goods - Devices (at net realizable value)	**173,322**	118,628	**84,550**	110,075
Finished Goods – Components (at net realizable value)	**688,747**	297,045	**390,459**	291,630
Provision for obsolete inventory	**(23,454)**	-	**-**	-
Total inventories at the lower of cost and net realisable value	**1,236,991**	415,673	**650,030**	401,705

15 Other Financial Assets

Current

	Consolidated		Parent	
	2008 $	2007 $	**2008 $**	2007 $
Debenture at cost (i)	**-**	71,000	**-**	71,000
Loan account ICS (iii)	**-**	46,129		46,129
Intercompany loan account (ii)	**-**	-	**5,928,498**	1,520,157
Less: Provision for intercompany loan	**-**	-	**(5,928,498)**	(1,520,157)
Carrying amount of non-current assets	**-**	117,129	**-**	93,550

(i) The debentures were repaid at 7 March 2008 and earned interest at a yearly rate of 7.50% payable in arrears.

(ii) The loan account is an intercompany clearing account between ImpediMed Limited its subsidiaries Xitron Technologies Inc and ImpediMed Inc. The account is non-interest bearing.

(iii) The ICS loan is non-interest bearing.

Non-Current

	Consolidated		Parent	
	2008 $	2007 $	**2008 $**	2007 $
Debenture at cost	**71,000**	71,000	**71,000**	71,000
Provision for loss on debenture	**(71,000)**	-	**(71,000)**	-
Deposits - premise leases	**41,597**	22,550	**22,550**	22,550
Carrying amount of non-current assets	**41,597**	93,550	**22,550**	93,550

(a) Investment in debenture

The organization with which the Company's debenture is held has recently gone into receivership. This debenture is the last of five debentures for the same amounts which were invested as security against the CSS Loan.
As the financial future of the investment company is unknown, the Company will hold a provision in full for the amount of the debenture.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

(b) Deposits - premise leases

The deposits on the premise leases are held until conclusion of the lease. It should be noted that the Company is moving to a new location in the month subsequent to the end of the reporting year and will receive the $22,550 deposit back in full. An additional deposit will be required for the Company's new premises.

(c) Fair values

The fair values and carrying values of non-current receivables of the Group are as follows:

	2008		2007	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	$	**$**	$	$
Investment in debenture	**-**	**-**	71,000	71,000
Deposits - premise leases	**41,597**	**41,597**	22,550	22,550
Carrying amount of non-current assets	**41,597**	**41,597**	93,550	93,550

The fair values and carrying values of non-current receivables of the Company are as follows:

	2008		2007	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	$	**$**	$	$
Investment in debenture	**-**	**-**	71,000	71,000
Investment in subsidiaries	**1,955,354**	**-**	119	-
Deposits - premise leases	**22,550**	**22,550**	22,550	22,550
Carrying amount of non-current assets	**1,977,904**	**22,550**	93,669	93,550

The fair values are based on cash flow discounts at a rate reflecting current market rates adjusted for counter party credit risks.

(d) Interest rate risk

Details regarding interest rate risk exposure are disclosed in Note 3.

(e) Credit risk

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables. No collateral is held as security.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

16 Non-current assets - property, plant and equipment

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Consolidated					
	Plant and Equipment under lease	Impact Devices	Leasehold Improvements	Plant & Machinery	Computer Equipment	Total
	$	$	$	$	$	$
Year ended 30 June 2008						
At 1 July 2007 net of accumulated depreciation	-	6,509	3,390	124,015	70,402	204,316
Additions	-	43,565	14,041	179,309	50,436	287,351
Acquisition of subsidiary	-	-	-	8,893	-	8,893
Depreciation charge for the year	-	(10,156)	(3,930)	(54,201)	(36,301)	(104,588)
At 30 June 2008 net of accumulated depreciation and impairment	-	39,918	13,501	258,016	84,537	395,972
At 30 June 2008						
Cost or fair value	-	50,863	57,663	393,401	222,566	724,493
Accumulated depreciation	-	(10,945)	(44,162)	(135,385)	(138,029)	(328,521)
Net carrying amount	-	39,918	13,501	258,016	84,537	395,972

	Parent					
	Plant and Equipment under lease	Impact Devices	Leasehold Improvements	Plant & Machinery	Computer Equipment	Total
	$	$	$	$	$	$
Year ended 30 June 2008						
At 1 July 2007 net of accumulated depreciation	-	6,509	3,390	79,032	60,594	149,525
Additions	-	43,565	-	24,444	25,598	93,607
Depreciation charge for the year	-	(10,156)	(3,390)	(27,880)	(27,938)	(69,364)
At 30 June 2008 net of accumulated depreciation	-	39,918	-	75,596	58,254	173,768
At 30 June 2008						
Cost or fair value	-	50,863	3,390	181,136	186,738	422,127
Accumulated depreciation and impairment	-	(10,945)	(3,390)	(105,540)	(128,484)	(248,359)
Net carrying amount	-	39,918	-	75,596	58,254	173,768

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated					
	Plant and Equipment under lease	Impact Devices	Leasehold Improvements	Plant & Machinery	Computer Equipment	Total
	$	$	$	$	$	$
Year ended 30 June 2007						
At 1 July 2006 net of accumulated depreciation and impairment	8,000	-	5,418	91,445	64,424	169,287
Additions	-	7,298	-	87,898	41,699	136,895
Acquisition of subsidiary	-	-	-	-	-	-
Disposals	(8,000)-	-	-	(6,318)	(6,366)	(20,684)
Depreciation charge for the year	-	(789)	(2,028)	(49,010)	(29,355)	(81,182)
At 30 June 2007 net of accumulated depreciation and impairment	-	6,509	3,390	124,015	70,402	204,316
At 30 June 2007						
Cost or fair value	-	7,298	43,622	207,679	177,530	436,129
Accumulated depreciation and impairment	-	(789)	(40,232)	(83,664)	(107,128)	(231,813)
Net carrying amount	-	6,509	3,390	124,015	70,402	204,316

	Parent					
	Plant and Equipment under lease	Impact Devices	Leasehold Improvements	Plant & Machinery	Computer Equipment	Total
	$	$	$	$	$	$
Year ended 30 June 2007						
At 1 July 2006 net of accumulated depreciation and impairment	8,000	-	5,418	91,445	64,424	169,287
Additions	-	7,298	-	36,612	30,207	74,117
Disposals	(8,000)	-	-	(6,318)	(6,366)	(20,684)
Depreciation charge for the year	-	(789)	(2,028)	(42,707)	(27,671)	(73,195)
At 30 June 2007 net of accumulated depreciation and impairment	-	6,509	3,390	79,032	60,594	149,524
At 30 June 2007						
Cost or fair value	-	7,298	43,622	156,692	165,739	373,351
Accumulated depreciation and impairment	-	(789)	(40,232)	(77,660)	(105,145)	(223,826)
Net carrying amount	-	6,509	3,390	79,032	60,594	149,525

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

(b) Impact devices

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Within one year				
(i) SFB7 Devices	**20,477**	14,477	**6,000**	-
(ii) DF50 Devices	**65,370**	-	**27,180**	-
(iii) XCA Devices	**48,535**	1,997	**2,940**	-
	134,383	16,474	**36,120**	-
After one year but not more than five years				
(i) SFB7 Devices	**15,739**	21,716	**8,500**	-
(ii) DF50 Devices	**89,060**	-	**44,505**	-
(iii) XCA Devices	**90,075**	2,995	**5,145**	-
	194,874	24,711	**58,150**	-
	329,257	41,186	**94,270**	-

All device operating leases terms are for a period of 36 months

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

17 Non-current assets – intangible assets and goodwill

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Consolidated			
	Software	Patents and Licences	Goodwill	Total
	$	$	$	$
Year ended 30 June 2008				
At 1 July 2007 net of accumulated amortisation and impairment	48,792	135,993	-	184,785
Additions - purchases of software	302,293	-	-	302,293
Acquisition of subsidiary	-	1,040,041	2,040,175	3,080,216
Amortisation	(32,347)	(218,110)	-	(250,457)
Effect of foreign exchange	2,280	7,104	-	9,384
At 30 June 2008 net of accumulated amortisation and impairment	321,018	965,028	2,040,175	3,326,221
At 30 June 2008				
Cost (gross carrying amount)	541,259	1,565,041	2,040,175	4,146,475
Accumulated amortisation and impairment	(222,521)	(607,117)	-	(829,638)
Effect of foreign exchange	2,280	7,104	-	9,384
Net carrying amount	321,018	965,028	2,040,175	3,326,221

	Parent			
	Software	Patents and Licences	Goodwill	Total
	$	$	$	$
Year ended 30 June 2008				
At 1 July 2007 net of accumulated amortisation and impairment	48,792	135,993	-	184,785
Additions	3,400	-	-	3,400
Amortisation	(30,702)	(55,000)	-	(85,702)
At 30 June 2008 net of accumulated amortisation and impairment	21,490	80,993	-	102,483
At 30 June 2008				
Cost (gross carrying amount)	242,366	525,000	-	767,366
Accumulated amortisation and impairment	(220,876)	(444,007)	-	(664,883)
Net carrying amount	21,490	80,993	-	102,483

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated			
	Software $	Patents and Licences $	Goodwill $	Total $
Year ended 30 June 2007				
At 1 July 2006 net of accumulated amortisation and impairment	30,203	463,741	1,897,131	2,391,075
Additions	45,346	-	-	45,346
Disposals	-	(177,732)	(1,897,131)	(2,074,863)
Amortisation	(26,757)	(150,016)	-	(176,773)
At 30 June 2008 net of accumulated amortisation and impairment	48,792	135,993	-	184,785
At 30 June 2007				
Cost (gross carrying amount)	238,966	525,000	-	763,966
Accumulated amortisation and impairment	(190,174)	(389,007)	-	(579,181)
Net carrying amount	48,792	135,993	-	184,785

	Parent			
	Software $	Patents and Licences $	Goodwill $	Total $
Year ended 30 June 2007				
At 1 July 2006 net of accumulated amortisation and impairment	30,203	369,070	-	399,273
Additions	45,346	-	-	45,346
Disposals	-	(177,732)	-	(177,732)
Amortisation	(26,757)	(55,345)	-	(82,102)
At 30 June 2008 net of accumulated amortisation and impairment	48,792	135,993	-	184,785
At 30 June 2007				
Cost (gross carrying amount)	238,966	525,000	-	763,966
Accumulated amortisation and impairment	(190,174)	(389,007)	-	(579,181)
Net carrying amount	48,792	135,993	-	184,785

(b) Description of the Group's intangible assets and goodwill

Development costs
Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. At this reporting date, the Group had no capitalised development costs. If present, this intangible asset would have been assessed as having a finite life and then amortised using the straight line method over a period of 10 years.

The amortisiation would then be recognised in the income statement in the line item 'Depreciation and Amortisation'. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Patents and licences
The Group holds two licences (Uniquest and SEAC) and a patent, the latter of which was acquired through a business combination. All patents and licences are carried at cost less accumulated amortisation and impairment losses. These intangible assets are all assessed as having a finite life and are amortised using the straight line method over a useful life of between five and twenty years.

No impairment loss has been recognised for the year ended 30 June 2008.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever an indication of impairment arises. Please refer to section (c) of this Note below.

(c) Impairment tests for goodwill and intangible assets with indefinite useful lives

(i) Description of the cash generating units and other relevant information

Goodwill acquired through business combinations and patents and licences have been allocated to two individual cash generating units (CGUs), each of which is a reportable segment.

For the purpose of impairment testing, the Group's two cash generating units as at 30 June 2008 are the Corporate Medical CGU and the Test & Measurement CGU.

The impairment triggers used by the Group did not show any indication of impairment as at 30 June 2008. As a result, no impairment has been formally estimated and no impairment loss has been recognised.

Impairment testing for this reporting period focused primarily on the goodwill generated by the acquisition of Xitron Technologies, Inc on 1 October 2007. As at the reporting period end date, the Group had $2,149,559 of goodwill, all of which is directly associated with the Xitron acquisition.

The Group will continue to perform periodic impairment testing in future periods for any changes to the estimated value of goodwill and will adjust as required.

18 Current liabilities - trade and other payables

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Trade payables	**723,126**	709,336	**378,088**	688,403
Tax payables	**152,201**	54,064	**152,053**	54,061
Other accruals and payables	**373,831**	144,145	**291,525**	140,240
Related party payables	**64,254**	71,499	**79,585**	71,617
Carrying amount of trade and other payables	**1,313,412**	979,044	**901,251**	954,321

(a) Interest

Trade payables are non-interest bearing and normally settle on 30 days terms.
Other accruals and payables are non-interest bearing and normally settle on 30-60 day terms.
Related party payables to employees and directors are non-interest bearing and normally settle on 30 day terms.

(b) Related party payables

For terms and conditions relating to related party payables refer to Note 25.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

19 Current liabilities - provisions

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Current				
Employee benefits	**472,305**	305,286	**256,594**	236,910
Warranty provision	**19,272**	13,810	**19,062**	13,810
Carrying amount of trade and other payables	**491,577**	319,096	**275,656**	250,720
Non-current				
Deferred rent liability	**36,082**	14,633	**5,138**	10,175
Employee benefits	**35,424**	22,152	**35,424**	22,152
Office lease - make good provision	**14,263**	12,150	**-**	12,150
Provision for royalty	**124,805**	-	**-**	-
Retention for consideration (Xitron acquisition)	**135,079**	-	**135,079**	-
	345,653	48,935	**175,641**	44,477

(a) Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Warranty provision $	Deferred rent liability $	Make good provision $	Potential Royalty $	Retention from consideration $	Total $
Consolidated						
At 1 July 2007	13,810	14,633	12,150	-	-	40,593
Acquisition of subsidiary	210	-	-	-	-	210
Arising during the year	5,252	21,449	14,263	124,805	135,079	300,848
Utilised	-	-	-	-	-	-
Unused amounts reversed	-	-	(12,150)	-	-	(12,150)
At 30 June 2008	19,272	36,082	14,263	124,805	135,079	329,501

(b) Employee benefits

Employee benefits comprise accrued entitlements for annual leave, performance pay and superannuation contributions (all current) and for long service leave (non-current).

In June 2008 the Group granted employee stock option plan to all employees of the three companies. June's allocation is included in the employee benefits provision.

(c) Warranty provision

A provision for warranty is recognised for expected warranty claims on products sold during the last year, based on past experience of the level of repairs and returns. It is expected that these costs will be incurred during the next financial year.

Assumptions used to calculate the provision for warranties were based on current information available about returns based on the 12 month warranty period for all instruments sold.

(d) Deferred rent

A provision for deferred rent is recognised for fixed increases in the office lease and for rent free periods for the term of the leases.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

(e) Make good provision

To comply with office lease agreements, the Group must restore leased premises to their original condition at the end of the term.

When the Company made the decision to move the Brisbane office, the current landlord agreed to accept the premise "as is", eliminating the need for the provision.

The $12,150 provision held for ImpediMed Limited's office lease as of the end of the previous reporting period was reversed in June. There will be a provision required for the new premise, but not until the Company moves in July.

(f) Obsolete inventory

The Group took up a provision for slow moving inventory in Xitron Technologies Inc. Due to the customized nature of many of the Test & Measurement products, there are some component pieces that need to be purchased in bulk that may sit in inventory for extended periods of time. While the parts are still currently used, the Group took the conservative approach of providing for the costs of the parts in full.

20 Interest-bearing loans and borrowing

	Effective Interest rate	Maturity	Consolidated		Parent	
			2008	2007	**2008**	2007
	%		**$**	$	**$**	$
Current						
CSS Loan 1	13.40	Feb-09	**64,024**	71,702	**64,024**	71,702
CSS Loan 2	12.52	Apr-09	**-**	11,380	**-**	11,380
			64,024	83,082	**64,024**	83,082
Non-current						
CSS Loan 1	13.40	Feb-09	**-**	53,395	**-**	53,395
CSS Loan 2	12.52	Apr-09	**-**	10,628	**-**	10,628
			-	64,023	**-**	64,023

(a) CSS Loan

The CSS loan is secured by a charge over the debentures held by the company, which were invested with Elderslie Finance, a company associated with CSS, to facilitate security for the loan. The final $71,000 debenture with Elderslie Finance matures in March 2009.

(b) Fair values

Due to the limited remaining time until maturity the Group's current and non-current borrowings are believed to approximate their fair value.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

21 Converting notes

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Series 3 Convertible Notes				
Face value of notes issued	-	7,150,000	-	7,150,000
Accreted expense for bonus shares	-	6,741,299	-	6,741,299
	-	13,891,299	-	13,891,299
Deferred transaction costs	-	(56,540)	-	(56,540)
Accumulated amortisation of deferred transaction costs	-	45,004	-	45,004
	-	(11,536)	-	(11,567)
	-	13,879,763	-	13,879,763

(a) Converting notes

During the reporting period, all converting notes were converted to ordinary shares.

22 Preference shares

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Preference A1 Shares	-	3,467,117	-	3,467,117
Preference A2 Shares	-	3,241,044	-	3,241,044
	-	6,708,161	-	6,708,161
Deferred transaction costs	-	(241,625)	-	(241,625)
Accumulated amortisation of deferred transaction costs	-	205,482	-	205,482
	-	(36,143)	-	(36,143)
	-	6,672,018	-	6,672,018

During the reporting period all Preference Shares converted to ordinary shares.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

23 Contributed equity

(a) Ordinary shares

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Ordinary shares fully paid	49,900,827	10,243,165	49,900,827	10,243,165
Ordinary shares under milestone escrow - fully paid	908,464	908,464	908,464	908,464
At 30 June 2008	**50,809,291**	11,151,629	**50,809,291**	11,151,629

The parent company does not have authorised capital or par value in respect of its issued shares.

Fully paid ordinary shares and fully paid ordinary shares under escrow carry one vote per share and carry the right to dividends.

The ordinary shares fully paid include the transaction costs ($2,137,487) pertaining to the cost of the IPO capital raising of $18,000,000 in 2007.

	Number	**$**
Movement in ordinary shares on issue		
at 1 July 2006	15,451,835	6,404,941
Issued during the period	5,337,526	4,989,002
Ordinary shares released from escrow	521,740	320,635
Demerger of ICS		(1,471,413)
at 1 July 2007	21,311,101	10,243,165
Issued during the period as a result of:		
Initial Public Offering:		
Conversion of Preference A1 and A2 shares	10,964,511	7,894,450
Issue of shares on redemption of S3 Conv notes	19,915,588	14,339,223
Issue of shares on redemption of IPO Conv notes	11,400,000	8,208,000
Issue of shares pursuant to public offer	13,600,000	9,792,000
Transactions costs	-	(2,137,487)
Xitron acquisition:		
Closing of Xitron acquisition	2,041,318	1,092,105
Xitron acquisition working capital adjustment	120,212	64,313
Xitron acquisition milestone 1 payment	757,118	405,058
Issue of vested Performance shares	130,749	
At 30 June 2008	**80,240,597**	**49,900,827**

	Number	**$**
Ordinary shares related to milestones under escrow - fully paid		
at 1 July 2006	2,000,000	1,229,099
Issued during the period	-	-
Ordinary shares released from escrow	(521,740)	(320,635)
at 30 June 2007	1,478,260	908,464
Issued during the period:	-	-
Ordinary shares released from escrow	-	-
at 30 June 2008	**1,478,260**	**908,464**

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

The Group has two share based payment option schemes under which options to subscribe for the company's shares have been granted to employees (ESOP) and to the Chief Executive Officer.

The Group issued an additional ESOP in June 2008, of which the applicable portion is expensed on the income statement under "Salaries and Benefits".
The Group has opted to discontinue any further performance share based compensation plans to employees, preferring to use options.
Refer to Note 31 for contingent consideration on a acquisition Xitron Technologies Inc, which may result in the issue of shares.

(b) Reserve accounts

	Consolidated		Parent	
	2008	2007	**2008**	2007
	AU $	AU $	**AU $**	AU $
Share options reserve (i)				
Balance at beginning	1,028,628	803,950	1,028,628	803,950
Additions	285,298	224,678	285,298	224,678
Balance at end	**1,313,926**	**1,028,628**	**1,313,926**	**1,028,628**
Performance share reserve (ii)				
Balance at beginning	78,652	-	78,652	-
Additions	62,063	78,652	62,063	78,652
Balance at end	**140,715**	**78,652**	**140,715**	**78,652**
Foreign exchange translation reserve (iii)				
Balance at beginning	79,502	-	-	-
Additions	(162,210)	79,502	-	-
Balance at end	**(82,708)**	**79,502**	-	-
Total				
Balance at beginning	1,186,782	803,950	1,107,280	803,950
Additions	185,151	382,832	347,361	303,330
Balance at end	**1,371,933**	**1,186,782**	**1,454,641**	**1,107,280**

(i) An employee share and option scheme was adopted during the financial year ending 30 June 2004 which was extended in May 2007. Further details are provided in Note 28.

At 30 June 2008 there were 5,447,673 (30 June 2007: 2,337,673) unissued ordinary shares in respect of which options were outstanding.

During the reporting period shareholders approved a US Equity Incentive Plan to facilitate the provision of Long Term Incentives to US employees under a US-SEC compliant plan. The company now has two option plans:

- The Australian Option Plan, under which options issued in a five year period must represent less than 15% of shares on issue.
- The US Option Plan, under which options issued in a five year period must represent less than 5% of shares on issue.

Options issued under the option plans must be issued with an exercise price no less than fair market value.

The actual exercise price will be determined by the board or a committee of directors. No options provide dividend or voting rights to the holders.

(ii) In February 2007, the Group adopted a Performance share plan for eligible employees and issued Performance share options during that reporting period.

As of May 2008, the board decided to cease any future Performance share issues, other than vesting for the 2007 Performance Shares for which rights have already been granted. The group plans in future to use only options as long term incentives.

(iii) The translations of the financial statements of ImpediMed Inc and Xitron Technologies Inc into the functional currency of the Group give rise to a foreign exchange translation reserve.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

(c) Capital management

There are no externally imposed capital requirements on the Group.
When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.
Management and the Directors will from time to time evaluate the group's capital structure with a view to optimizing its cost of capital.

The Group currently maintains a low level of debt to equity, which is in part the result of the high cost of debt in a cash burn business.

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Total borrowings*	**1,377,437**	1,126,149	**965,275**	1,101,426
Less cash and cash equivalents	**(8,454,469)**	(1,612,462)	**(8,048,467)**	(1,569,770)
Net debt	**(7,077,032)**	(486,313)	**(7,083,192)**	(468,313)
Total equity	**12,300,369**	(17,788,316)	**10,138,967**	(17,912,499)
Total capital	**5,223,337**	(18,274,629)	**3,055,775**	(18,380,843)

* Includes interest bearing loans and borrowings and trade and other payables

24 Retained earnings

(a) Movements in other reserves

	Consolidated			
	Performance share reserve	Share options reserve	Foreign currency translation	Total
	$	$	$	$
At 1 July 2006	-	803,950	-	803,950
Foreign currency translation	-	-	79,502	79,502
Transfer to balance sheet / income statement	-	-	-	-
Share based payment	78,652	224,678	-	303,330
At 30 June 2007	78,652	1,028,628	79,502	1,186,782
Foreign currency translation	**-**	**-**	**(162,210)**	**(162,210)**
Share based payment	**62,063**	**285,298**	**-**	**347,361**
At 30 June 2008	**140,715**	**1,313,926**	**(82,708)**	**1,371,933**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

	Parent			
	Performance share reserve	Share options reserve	Foreign currency translation	Total
	$	$	$	$
At 1 July 2006	-	803,950	-	803,950
Foreign currency translation	-	-	-	-
Transfer to balance sheet / income statement	-	-	-	-
Share based payment	78,652	224,678	-	303,330
At 30 June 2007	78,652	1,028,628	-	1,107,280
Foreign currency translation	-	-	-	-
Foreign currency translation relating to elimination of Xitron's retained earnings	-	-	-	-
Transfer to balance sheet / income statement	-	-	-	-
Share based payment	**62,063**	**285,298**	-	**347,361**
At 30 June 2008	**140,715**	**1,313,926**	-	**1,454,641**

(i) An employee share and option scheme was adopted during the financial year ending 30 June 2004 which was extended June 2008. Further details are provided in Note 28.

At 30 June 2008 there were 18,300,923 (30 June 2007: 2,337,673) unissued ordinary shares in respect of 5,441,006 (30 June 2007: 2,337,673) unlisted options, 359,917 (30 June 2007: nil) performance shares and 12,500,000 (30 June 2007: nil) listed options.

The employee share and option scheme allows for options on unissued shares up to a maximum of 15% of fully vested ordinary shares. All options issued under the scheme must be issued with an exercise price no less than fair market value.

The actual exercise price will be determined by a committee of directors, which is generally determined to be the company's average stock price over the three days prior to the option grant. No options provide dividend or voting rights to the holders.

(ii) In February 2007, the Group adopted a Performance share plan for eligible employees and issued Performance share options during that reporting period.

As of May 2008, the Group elected to cease any future Performance share options. In lieu of any additional options, the Group will base performance pay around direct monetary performance bonuses.

(iii) In February 2008, the Group committed to a Performance share plan pertaining to a future obligation to grant shares to EDN, a key independent distributor of the Group. Performance Shares are to be issued on achievement of sales milestones. For the year ended 30 June 2008 $7,092 has been expensed. Refer to note 28 for further details.

The Black Scholes model was used to create the valuation of the shares. Likelihood of future performance is based around specific sales goals tied to the actual sales to date of EDN.

(iv) The translation of the financial statements of ImpediMed Inc and Xitron Technologies Inc into the functional currency of the Group give rise to a foreign exchange translation reserve.

(b) Nature and purpose of reserves

Employee equity benefits reserve
The employee equity benefits reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration. Refer to Note 28 for further details of these plans.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

25 Related party disclosure

(a) Subsidiaries

The consolidated financial statements include the financial statements of ImpediMed Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	% Equity interest 2008	% Equity interest 2007	Investment ($) 2008	Investment ($) 2007
ImpediMed Inc.	United States	**100**	100	**62,615**	1
Xitron Technologies Inc.	United States	**100**	-	**1,892,621**	-
MESA Inc.**	United States	**-**	100	**-**	118
				1,955,236	119

**MESA Inc. was created with for the sole purpose of the acquisition of Xitron Technologies Inc. Upon completion of the acquisition, MESA Inc. dissolved.

(b) Ultimate parent

ImpediMed Limited is the ultimate Australian parent entity.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in Note 26.

(d) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Related party		Sales to related parties $	Purchases from related parties $	Other transactions with related parties $
ImpediMed Limited				
Subsidiaries:				
Sale of inventory to ImpediMed Inc.	**2008**	**217,263**	-	-
	2007	556,906	-	-
Payments made on behalf of ImpediMed Inc	**2008**	-	-	**2,675,913**
	2007	-	-	1,520,157
Payments made on behalf of Xitron Technologies Inc	**2008**	-	-	**1,732,825**
	2007	-	-	-
ImpediMed Inc				
Subsidiary to Parent entity:	**2008**	-	-	**225,733**
Payments made on behalf of Xitron Technologies Inc	2007	-	-	-

Terms and conditions of transactions with related parties:

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

Outstanding balances at year end are unsecured and interest free.

For the year ended 30 June 2008, the Group has taken up a provision for the full amount of open debt between the parent and any subsidiaries.

(e) Transactions with Directors

On 30 October 2007, the following transactions occurred in relation to the series 3 converting notes and preference shares:

M Bridges: retirement through conversion to ordinary shares of 500 notes for a consideration of $50,000

M Kriewaldt: retirement through conversion to ordinary shares of 500 notes for a consideration of $50,000

C Hirst: retirement through conversion to ordinary shares of 500 notes for a consideration of $50,000

G Brown: retirement of 814,386 preference A2 shares, which converted to ordinary shares

M Panaccio: retirement of 1,444,718 preference A1 shares and 1,221,579 preference A2 shares held by Starfish Ventures(in which he is a Principal), which converted to ordinary shares

No interest was paid or is payable for the year ended 30 June 2008.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

26 Key management personnel

(a) Details of key management personnel

At the date of this report the Directors and key executives of the company were as follows:

(i) Directors	
Mel Bridges	Chairman
Greg Brown	Chief Executive Officer
Martin Kriewaldt	Non-executive director
Cherrell Hirst	Non-executive director
Jim Hazel	Non-executive director
Michael Panaccio	Non-executive director
(ii) Executives	
Phil Auckland	Chief Financial Officer, Company Secretary and Chief Operating Officer
Jack Butler	VP Business Development US
Belinda Robinson	VP International Marketing and Sales
Dennis Schlaht	VP Product Management & Development - appointed 1st October 2007

Changes among Directors and key executives during the reporting period were as follows:

- Roger Render the VP Quality & Regulatory Affairs passed away on 17th February 2008. His role and responsibilities have been spread among other managers until a replacement can be found.
- Dennis Schlaht was appointed to VP Product Management on 1 October 2007. He was brought on as part of the acquisition of Xitron Technologies Inc.
- Stephen Denaro resigned as Company Secretary effective 28th April 2008.
- Dr Scott Chetham moved to a consultancy role in October 2007, upon relocating to the USA to join the demerged Impedance Cardiology Systems Inc as an employee as agreed in the demerger of that entity from the ImpediMed group in October 2006. Dr Chetham is contracted to continue to spend twenty percent of his time working on R&D initiatives for the Group.
- Steve Smith was appointed to VP Operations on 1st October 2007. On 1st April 2008 Mr. Smith moved to a consulting arrangement acting in a part time capacity as VP US Investor Relations.

Other than the changes listed above, there were no other changes of the CEO or Key Management Positions between the reporting date and the date the financial report was authorised for issue.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

(b)(i) Remuneration options: Granted and vested during the year

	Granted	Terms and Conditions for each Grant				Vested
30 June 2008	No.	Grant date	Value per option at grant date $	Exercise price per option $	Expiry Date	No.
Executives						
G Brown	500,000	24/10/07	0.91	0.9100	24/10/09	166,667
G Brown	500,000	24/10/07	1.03	1.0300	24/10/09	166,667
P Auckland	100,000	18/06/08	0.38	0.7347	31/12/13	-
P Auckland	100,000	18/06/08	0.41	0.7347	31/12/14	-
P Auckland	100,000	18/06/08	0.44	0.7347	31/12/15	-
B Robinson	50,000	18/06/08	0.38	0.7347	31/12/13	-
B Robinson	50,000	18/06/08	0.41	0.7347	31/12/14	-
B Robinson	50,000	18/06/08	0.44	0.7347	31/12/15	-
J Butler	83,333	18/06/08	0.38	0.7347	31/12/13	-
J Butler	83,333	18/06/08	0.41	0.7347	31/12/14	-
J Butler	83,334	18/06/08	0.44	0.7347	31/12/15	-
S Chetham	13,333	18/06/08	0.38	0.7347	31/12/13	-
S Chetham	13,333	18/06/08	0.41	0.7347	31/12/14	-
S Chetham	13,334	18/06/08	0.44	0.7347	31/12/15	-
D Schlaht	50,000	18/06/08	0.38	0.7347	31/12/13	-
D Schlaht	50,000	18/06/08	0.41	0.7347	31/12/14	-
D Schlaht	50,000	18/06/08	0.44	0.7347	31/12/15	-
S Smith	83,333	18/06/08	0.38	0.7347	31/12/13	-
S Smith	83,333	18/06/08	0.41	0.7347	31/12/14	-
S Smith	83,334	18/06/08	0.44	0.7347	31/12/15	-
	2,140,000					**333,334**

(ii) Shares issued on exercise of remuneration options

No shares were issued during the years ended 30 June 2008 and 30 June 2007 on the exercise of remuneration options.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

(iii) Remuneration Option holdings of key management personnel

30 June 2008	Balance at 1 July 2007	Granted as remuneration	Net Change other	Balance at 30 June 2008	Not exercisable	Exercisable
Directors						
M Bridges	-	-	-	-	-	-
G Brown	747,673	1,000,000	-	1,747,673	666,667	1,081,006
M Kriewaldt	-	-	-	-	-	-
C Hirst	-	-	-	-	-	-
J Hazel	-	-	-	-	-	-
M Panaccio	-	-	-	-	-	-
Executives						
P Auckland	350,000	300,000	-	650,000	416,667	233,333
J Butler	300,000	250,000	-	550,000	350,000	200,000
B Robinson	90,000	150,000	-	240,000	179,999	60,001
D Schlaht	-	150,000	-	150,000	324,382	-
S Smith	-	250,000	-	250,000	250,000	-
R Render	100,000	-	-	100,000	33,333	66,667
S Chetham	-	40,000	-	40,000	40,000	-
Total	**1,587,673**	**2,140,000**	**-**	**3,727,673**	**2,261,048**	**1,641,007**

30 June 2007	Balance at 1 July 2006	Granted as remuneration	Net Change other	Balance at 30 June 2007	Not exercisable	Exercisable
Directors						
M Bridges	-	-	-	-	-	-
G Brown	747,673	-	-	747,673	-	747,673
M Finney	-	-	-	-	-	-
M Kriewaldt	-	-	-	-	-	-
C Hirst	-	-	-	-	-	-
J Hazel	-	-	-	-	-	-
M Panaccio	-	-	-	-	-	-
Executives						
P Auckland	150,000	200,000	-	350,000	183,333	166,667
J Butler	150,000	150,000	-	300,000	150,000	150,000
B Robinson	50,000	40,000	-	90,000	43,333	46,667
R Render	-	100,000	-	100,000	66,667	33,333
Total	**1,097,673**	**490,000**	**-**	**1,587,673**	**443,333**	**1,144,340**

*The remuneration options shown in the tables above exclude IPO options (ASX:IPDO) which are not part of remuneration, and which any directors or executives holding them subscribed for at IPO, or purchased on market.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

(iv) Ordinary shareholdings of key management personnel

30 June 2008	Balance at 1 July 2007	Granted as remuneration	Net Change other	Balance at 30 June 2008
Directors				
M Bridges	4,235,000	-	427,541	4,662,541
G Brown	3,035,000	-	1,383,349	4,418,349
M Kriewaldt	41,148	-	139,270	180,418
J Hazel	171,098	-	67,500	238,598
C Hirst	-	-	173,770	173,770
M Panaccio	-	-	43,638,915	43,638,915
Executives				
P Auckland	-	-	29,300	29,300
B Robinson	206,186	-	-	206,186
J Butler	-	-	-	-
R Render	-	-	-	-
S Chetham	1,260,870	-	-	1,260,870
S Smith	-	-	770,550	770,550
D Schlaht	-	-	174,382	174,382
Total	**8,949,302**	**-**	**46,804,577**	**55,753,879**

30 June 2007	Balance at 1 July 2006	Granted as remuneration	Net Change other	Balance at 30 June 2007
Directors				
M Bridges	4,235,000	-	-	4,235,000
G Brown	3,035,000	-	-	3,035,000
M Kriewaldt	-	-	41,148	41,148
J Hazel	171,098	-	-	171,098
C Hirst	-	-	-	-
M Panaccio	-	-	-	-
M Finney	30,000	-	-	30,000
Executives				
P Auckland	-	-	-	-
J Butler	-	-	-	-
B Robinson	206,186	-	-	206,186
R Render	-	-	-	-
S Chetham	1,260,870	-	-	1,260,870
Total	**8,938,154**	**-**	**41,148**	**8,979,302**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

(v) Performance shareholdings of key management personnel

30 June 2008	Balance at 1 July 2007	Granted as remuneration	Net Change other	Balance at 30 June 2008	Vested	Forfeited
Directors	-	-	-	-		
M Bridges	-	-	-	-		
G Brown	-	-	-	-		
M Kriewaldt	-	-	-	-		
C Hirst	-	-	-	-		
J Hazel	-	-	-	-		
M Panaccio	-	-	-	-		
Executives						
P Auckland	100,000	-	-	100,000	33,333	-
B Robinson	50,000	-	-	50,000	16,667	-
J Butler	100,000	-	-	100,000	24,667	8,666
R Render	20,000	-	-	20,000	6,667	-
S Chetham	20,000	-	-	20,000	6,667	-
D Schlaht	-	-	-	-		
Total	**290,000**	-	-	**290,000**	88,001	8,666

30 June 2007	Balance at 1 July 2006	Granted as remuneration	Net Change other	Balance at 30 June 2007	Vested	Forfeited
Directors						
M Bridges	-	-	-	-	-	-
G Brown	-	-	-	-	-	-
M Finney	-	-	-	-	-	-
M Kriewaldt	-	-	-	-	-	-
C Hirst	-	-	-	-	-	-
J Hazel	-	-	-	-	-	-
M Panaccio	-	-	-	-	-	-
Executives						
P Auckland	-	100,000	-	100,000	-	-
B Robinson	-	50,000	-	50,000	-	-
J Butler	-	100,000	-	100,000	-	-
R Render	-	20,000	-	20,000	-	-
S Chetham	-	20,000	-	20,000	-	-
Total	-	**290,000**	-	**290,000**	-	-

To most effectively value the performance of individuals under the Performance Share plan, the Board has elected to base performance measurement on predetermined goals and key performance indicators (KPIs) of each individual under the plan. After internal reviews, each employee is given his/her own percentage based on accomplishment of the measurable goals. No unilateral measure of goals/KPIs is spread across the company to all individuals under the plan.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

(vi) Converting Notes holdings of key management personnel

30 June 2008	Balance at 1 July 2007	Granted as remuneration	Net Change other	Balance at 30 June 2008
Directors				
M Bridges	500	-	(500)	-
G Brown	-	-	-	-
M Kriewaldt	500	-	(500)	-
J Hazel	-	-	-	-
C Hirst	500	-	(500)	-
M Panaccio	-	-	-	-
Executives				
P Auckland	-	-	-	-
J Butler	-	-	-	-
B Robinson	-	-	-	-
D Schlaht	-	-	-	-
R Render	-	-	-	-
S Chetham	-	-	-	-
Total	**1,500**	**-**	**(1,500)**	**-**

30 June 2007	Balance at 1 July 2006	Granted as remuneration	Net Change other	Balance at 30 June 2007
Directors				
M Bridges	-	-	500	500
G Brown	2,500	-	(2,500)	-
M Kriewaldt	250	-	250	500
J Hazel	-	-	-	-
C Hirst	-	-	500	500
M Panaccio	-	-	-	-
M Finney	-	-	-	-
Executives				
P Auckland	-	-	-	-
J Butler	-	-	-	-
B Robinson	-	-	-	-
R Render	-	-	-	-
S Chetham	-	-	-	-
Total	**2,750**	**-**	**(1,250)**	**1,500**

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

(vii) IPO Option (ASX:IPDO) holdings of key management personnel

30 June 2008	Balance at 1 July 2007	Granted as remuneration	Net Change other	Balance at 30 June 2008
Directors				
M Bridges	-	-	45,000	45,000
G Brown	-	-	14,000	14,000
M Kriewaldt	-	-	-	-
J Hazel	-	-	33,750	33,750
C Hirst	-	-	17,250	17,250
M Panaccio	-	-	2,877,700	2,877,700
Executives				
P Auckland	-	-	5,000	5,000
J Butler	-	-	-	-
B Robinson	-	-	-	-
D Schlaht	-	-	-	-
R Render	-	-	-	-
S Chetham	-	-	-	-
Total	**-**	-	**2,992,700**	**2,992,700**

30 June 2007	Balance at 1 July 2006	Granted as remuneration	Net Change other	Balance at 30 June 2007
Directors				
M Bridges	-	-	-	-
G Brown	-	-	-	-
M Kriewaldt	-	-	-	-
J Hazel	-	-	-	-
C Hirst	-	-	-	-
M Panaccio	-	-	-	-
M Finney	-	-	-	-
Executives				
P Auckland	-	-	-	-
J Butler	-	-	-	-
B Robinson	-	-	-	-
R Render	-	-	-	-
S Chetham	-	-	-	-
Total	-	-	-	-

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

27 Auditor's remuneration

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Amounts received or due and receivable				
By Ernst & Young Australia for:				
audit of financial report of the entity	**148,239**	96,145	**148,239**	96,145
other services to the entity	**107,635**	95,734	**107,635**	95,734
	255,874	191,879	**255,874**	191,879

The increases in fees for the 2008 fiscal year pertain to the complexities involved with the Xitron acquisition, increased subsidiary activity, and more complex consolidations.

Even given the increased costs for additional complexities, the base June audit fee was decreased by $500 ($57,500 in 2008; $58,000 in 2007).

Other services to the entity for the 2008 fiscal year comprise services for the Initial Public Offering and the Xitron acquisition.

The audit fees increased for the 2007 fiscal year due to Ernst & Young conducting full audits at each half year in preparation for use of figures in prospectus, versus the usual practice of a review at half year.

Other services to the entity for the 2007 fiscal year comprise services for the Independent Accountants Report in relation to the Company's IPO and advice in relation to the cardio de-merger.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

28 Share-based payment plans

(a) Recognised share-based payment expenses

The expense recognised for share-based payments during the year is shown in the table below:

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Expense arising from equity-settled share-based payment transactions	**347,361**	303,330	**290,298**	240,740
Total expense arising from share-based payment transactions	**347,361**	303,330	**290,298**	240,740

(b) Types of share-based payment plans

1. Employee Share Option Plan (ESOP)
Share options are granted to eligible employees and collaborators of the Group at the discretion of the Board of directors. In granting the options, which are issued for nil consideration, the directors evaluate potential participants with respect to their abilities, experience, responsibilities and their contribution to the company

When a participant ceases to be eligible to continue participating in the plan prior to vesting of their share options, the unvested share options are forfeited and they have a limited period of one month during which they may exercise the vested options. The Board may, however, in its absolute discretion, may vary the period during which allow a participant that has ceased to be eligible may exercise some or all options which had vested before the participant ceased to be an eligible participant.

In the event of a change of control of the Group, all options vest immediately. There are no cash settlement alternatives. The options issued under the plan cannot be transferred and are not quoted as tradable instruments on ASX.

All share options issued under the ESOP in 2004, vest in three tranches: at the first, second and third anniversary of the grant. Options from a tranche once vested may be exercised for a term of five years.

All share options issued in 2007, vest in three tranches: at the grant date, and at the first and at the second anniversary of the grant. Options from a tranche once vested may be exercised for a term of five years.

All share options issued in 2008 vest in three tranches at the first, second and third anniversary of the grant. Options from a tranche once vested may be exercised for a term of five years.

2. Chief Executive Option Plan
Options issued to the Chief Executive are issued outside the ESOP as his shareholdings exceed 5% of the company, and the plan excludes the participation of shareholders with a holding of greater than 5% of the company.

3. Performance Share Plan
Performance shares are issued to eligible employees and contractors in recognition of their contribution to the performance of the Group and are subject to meeting individual performance hurdles. All performance shares are issued at the discretion of the Board of directors and are issued for nil consideration.

Performance shares granted in 2007 vest in three tranches and 31 December 2007, 2008 and 2009 respectively. In the event of a change of control, the restrictions which apply to performance shares may cease in the discretion of the Board of directors.

The fair value of the performance shares is measured by using the weighted average stock price for ImpediMed Limited over the three working days prior to the grant date multiplied by the number of eligible shares. The number of eligible shares is measured using a combination of the probability of future service and the achievement of specific goals.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

4. Performance Share Plan – Third Party

In February 2008, the Group committed to a Performance share plan pertaining to a future obligation to grant shares to EDN, a key independent distributor of the Group. A total of 100,000 of Performance shares are to be issued on achievement of specific sales milestones. For the year ended 30 June 2008 $7,092 has been expensed.

(c) Summary of options and performance shares granted

1. Employee Share Option Plan (ESOP)
The following table illustrates the number (No) and weighted average exercise price (WAEP) of share options under the ESOP.

	2008		2007	
	No	**WAEP**	No	WAEP
Balance at the beginning of the year	1,590,000	0.7940	840,000	0.8700
Granted during the year	2,110,000	0.7347	780,000	0.7160
Forfeited during the year	(36,667)	0.7940	(30,000)	0.8700
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Balance at the end of the year	**3,663,333**	**0.7598**	1,590,000	0.7940
Exercisable at 30 June	**1,293,333**	**0.8124**	800,002	0.8200

The year-end balance is represented by:

Number of options	Exercise price ($)	Exercisable until
86,668	0.8700	30/07/10
50,000	0.8700	28/10/10
83,333	0.8700	23/11/10
50,000	0.8700	24/12/10
86,668	0.8700	30/07/11
50,000	0.8700	28/10/11
83,333	0.8700	23/11/11
50,000	0.8700	24/12/11
260,000	0.7160	29/05/12
86,664	0.8700	30/07/12
50,000	0.8700	28/10/12
83,334	0.8700	23/11/12
50,000	0.8700	24/12/12
241,667	0.7160	29/05/13
241,666	0.7160	29/05/14
703,328	0.7347	31/12/13
703,328	0.7347	31/12/14
703,344	0.7347	31/12/15
3,663,333		

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

2. Chief Executive Option Plan

The following table illustrates the number (No) and weighted average exercise price (WAEP) of share options under the Chief Executive Option Plan:

	2008		2007	
	No	**WAEP**	No	WAEP
Balance at the beginning of the year	**747,673**	**0.6750**	747,673	0.6750
Granted during the year	**1,000,000**	**0.9700**	-	-
Forfeited during the year	**-**	**-**	-	-
Exercised during the year	**-**	**-**	-	-
Expired during the year	**-**	**-**	-	-
Balance at the end of the year	**1,747,673**	**0.8440**	747,673	0.6750
Exercisable at 30 June	**1,081,006**	**0.7660**	747,673	0.6750

The year-end balance is represented by:

yea	Number of options	Exercise price ($)	Expiry date
	249,225	0.675	31/Dec/2011
	249,224	0.675	31/Dec/2012
	249,224	0.675	31/Dec/2013
	166,666	0.910	24/Oct/2012
	166,667	0.910	24/Oct/2013
	166,667	0.910	24/Oct/2014
	166,666	1.030	24/Oct/2012
	166,667	1.030	24/Oct/2013
	166,667	1.030	24/Oct/2014
	1,747,673		

3. Performance Share Plan

The following table illustrates the number of performance shares under the Performance Share Plan:

	2008	2007
Balance at the beginning of the year	**-**	-
Granted during the year	**469,500**	469,500
Forfeited during the year	**(72,333)**	-
Not granted during the year	**(37,250)**	
Expired during the year	**-**	-
Balance at the end of the year	**359,917**	469,500

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

(d) Weighted average remaining contractual life

1. Employee Share Option Plan (ESOP)
The weighted average remaining contractual life for the share options outstanding as at 30 June 2008 is 5.50 years (2007: 5.10 years).

2. Chief Executive Option Plan
The weighted average remaining contractual life for the share options outstanding as at 30 June 2008 is 4.39 years (2007: 5.51 years).

(e) Range of exercise prices

1. Employee Share Option Plan (ESOP)
The range of exercise prices for options outstanding as at 30 June 2008 is $0.716 - $0.87 (2007: $0.716 - $0.87).

2. Chief Executive Option Plan
The range of exercise prices for options outstanding as at 30 June 2008 is $0.675 - $1.03 (2007: $0.675 - $0.675).

(f) Weighted average fair value

1. Employee Share Option Plan (ESOP)
The weighted average fair value of options outstanding as at 30 June 2008 is $0.5214 (2007: $0.450).

2. Chief Executive Option Plan
The weighted average fair value of options outstanding as at 30 June 2008 is $0.3953 (2007: $0.630).

3. Performance Share Plan
The weighted average fair value of performance shares outstanding as at 30 June 2008 is $0.716 (2007: $0.716).

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

(g) Option pricing model

The fair value of the equity-settled share options granted under the ESOP and the Chief Executive Option Plan is estimated as at the date of grant using the Black Scholes option valuation model.

The following tables list the inputs in the model used for the years ended 30 June 2008 and 30 June 2007:

	ESOP Issue 2004	ESOP Issue 2007	ESOP Issue 2008	Chief Executive Issue 2004(1)
Expected volatility (%)				
Tranche 1	50	50	50	50
Tranche 2	50	50	50	50
Tranche 3	50	50	50	50
Risk free interest rate (%)				
Tranche 1	5.50	6.10	6.36	5.5
Tranche 2	5.50	6.07	6.36	5.5
Tranche 3	5.50	6.02	6.36	5.5
Expected life of option (years)				
Tranche 1	6.0	4.5	4.5	7.0
Tranche 2	7.0	5.5	5.5	8.0
Tranche 3	8.0	6.5	6.5	9.0
Option exercise price ($)				
Tranche 1	0.870	0.716	0.7347	0.675
Tranche 2	0.870	0.716	0.7347	0.675
Tranche 3	0.870	0.716	0.7347	0.675
Calculated fair value ($)				
Tranche 1	0.47	0.35	0.3695	0.58
Tranche 2	0.51	0.38	0.4004	0.61
Tranche 3	0.55	0.41	0.4277	0.64

Chief Executive 2007 Options	**Expected volatility (%)**	**Risk free interest rate (%)**	**Expected life of option (years)**	**Option exercise price ($)**	**Calculated fair value ($)**
Tranche 1-1	50	6.16	4.3	0.91	0.17
Tranche 2-1	50	6.07	5.3	0.91	0.20
Tranche 3-1	50	5.98	6.3	0.91	0.23
Tranche 1-2	50	6.16	4.3	1.03	0.15
Tranche 2-2	50	6.07	5.3	1.03	0.18
Tranche 3-2	50	6.98	6.3	1.03	0.21

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

The effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future.

The expected volatility rate was determined using an historical sample of Company share prices in respect of the ESOP share options and industry averages.

The resulting expected volatility therefore reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily by the actual outcome.

(1) The terms of the options issued in 2004 to the Chief Executive have been modified on 17 May 2006. The time to maturity has been extended from 5 years from vesting to 7 years from vesting date. These changes were part of an agreement to rectify financial disadvantages to the Chief Executive Officer that resulted from delays in establishing an option plan to meet commitments made to him when he first joined the Board in 2001.

IPO Options
At 30 June 2008 there were 12,500,000 IPO options outstanding, these options were issued as part of the company's initial public offering on the Australian Stock Exchange on the basis of one option for every two shares subscribed to.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

29 Commitments

(a) Operating lease commitments

During the reporting period the Group entered into a lease for its new premises in San Diego. The lease for the San Diego office has a sixty-four month term, with four months of free rent included in that term.

The lease for the San Diego office commenced in April 2008 with a monthly straight line rent expense of $15,426 USD plus common area maintenance (CAM) charges. $212,363 of the commitments due within one year are directly associated with the lease of the San Diego office.

The lease increases by the CPI annually. The total remaining, committed value over the life of the lease is $1,255,648.

The lease for the Rochester office commenced 1 December 2006 and has a two year term, with a fixed annual rent payment of US $32,028 for the term of the lease. The first two months of the lease were rent free.

The motor vehicle financing is for a two year lease on a vehicle for executive use when travelling to the United States. The leasing of the vehicle has dramatically reduced executive travel expenses over the course of the financial year.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated		Parent	
	2008	2007	**2008**	2007
	AU $	AU $	**AU $**	AU $
Within one year	**379,480**	139,181	**52,069**	101,448
After one year but not more than five years	**1,151,082**	85,134	**46,308**	69,412
More than five years	**22,442**	-	**-**	-
	1,553,004	224,314	**98,377**	170,860

(b) Finance lease commitments

The company does not currently have any open financing leases for the Group.

(c) Expenditure commitments

At 30 June 2008 the Group has commitments of $2,418,164 (2007: $202,269; 2006: $1,477,914) relating to the funding of various research and development projects.

	Consolidated		Parent	
	2008	2007	**2008**	2007
	AU $	AU $	**AU $**	AU $
Within one year	**1,144,446**	202,969	**1,144,446**	122,687
After one year but not more than five years	**100,000**	-	**100,000**	-
	1,244,446	202,969	**1,244,446**	122,687

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

(d) Royalty commitments

At 30 June 2008 the Group has commitments for the payment of royalties as follows:

ImpediMed Limited

(i) ImpediMed Limited have royalties that are payable on product sales and are accrued and recognised for the year ended 30 June 2008.

Xitron Technologies, Inc

(ii) Under a Stock Redemption Agreement from 2001, payments in the nature of capital return, but based on a percentage of revenue are due to J Matthie on monthly Xitron company sales.

(e) Other commitments

The Group signed a twelve month premium funding agreement for insurance coverage in August 2008, with all payments occurring within the next twelve months. .The total commitment is for $125,195. The areas of insurance covered include, but are not limited to, Directors' and Officers' Insurance, Supplemental Directors' and Officers' Insurance, General Business Insurance, Product and Liability Insurance, Clinical Trials Insurance, and Marine Cargo Insurance.

30 Contingencies

(a) Legal claims
The consolidated entity has no known open claims or lawsuits against it.

(b) Contingent liabilities
The consolidated entity has no contingent liabilities at 30 June 2008 (30 June 2007: $43,106).

(c) Cross guarantees
As a policy the Group does not undertake any cross guarantees.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

31 Business combinations

(a) Acquisition

On 1 October 2007, ImpediMed Limited acquired 100% of the voting shares of Xitron Technologies, Inc, an unlisted private company based in San Diego, CA, United States. Xitron specialises in the manufacture and sale of power test & measurement devices. All amounts included for the acquisition of Xitron are provisional at 30 June 2008.

The total cost of the combination was $1,892,622. A specific breakdown of the costs is listed below.

The consideration under the acquisition was ordinary shares in ImpediMed Limited as follows:

	Consideration Shares In ImpediMed Assessed as likely to be issued & included in the cost of business combination	Potential Consideration Shares per the acquisition agreement
Consideration on completion	2,041,318	2,041,318
Working Capital Adjustment	120,212	120,212
Milestone 1 consideration	757,118	757,118
Milestone 2 consideration	-	538,462
Milestone 3 consideration	-	769,231
Milestone 4 consideration	-	1,000,000
Total	2,918,648	5,226,341

Milestone 1 was achieved as reported in the company's report for the half year ended 31 Dec 2007.
Milestone 2 required the achievement of $US 3,500,000 or more by Xitron for the year ended 30 June 2008, which was not achieved.
Milestone 3 required the achievement of $US 5,000,000 or more by Xitron for the year ended 30 June 2008, which is not considered probable.
Milestone 4 required the achievement of $US 6,500,000 or more by Xitron for the year ended 30 June 2008, which is not considered probable.

(b) Fair value

The fair value of the identifiable assets and liabilities of Xitron Technologies, Inc. as at the date of the acquisition were:

	Consolidated	
	Recognised on acquisition	Carrying Value
	$	$
Cash and cash equivalents	73,920	73,920
Trade and other receivables	169,952	169,952
Inventories	504,425	529,437
Other financial assets	13,141	-
Total Current Assets	**761,438**	**773,309**
Plant and equipment	8,893	13,480
Intangible assets	-	176,135
Total Non-Current Assets	**8,893**	**189,615**
Trade and other payables	218,725	224,728
Interest-bearing loans	562,829	562,829
Provisions	136,330	1,365
Total Current Liabilities	**917,884**	**788,922**
Fair Value of identifiable net assets	**(147,553)**	**174,002**

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

Goodwill arising on acquisition	**2,040,175**
	$
Cost of the combination:	
Shares issued at fair value (2,041,318)	**1,092,105**
Milestone 1 consideration	**405,058**
Retention	**135,079**
Incidental costs of acquisition (i)	**196,066**
Working Capital adjustment	**64,313**
Total cost of the combination	**1,892,621**

The cash outflow on acquisition to date is as follows:	
Net cash acquired with the subsidiary	**73,920**
Cash paid	**-**
Net cash inflow (outflow)	**73,920**

(c) Other items

(i) From the date of acquisition, Xitron Technologies, Inc has contributed $384,193 to the net loss of the Group.

If the combination had taken place at the beginning of the fiscal year, the loss from continuing operations for the Group would have been $10,487,702 and revenue from continuing operations would have been $2,696,606.

(ii) The incidental costs of the business combination include the costs that are directly attributable to the combination, which include but are not limited to the professional fees paid to accountants, legal advisors, valuers, and other consultants to effect the combination.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

32 Discontinued operations

(a) Details of discontinued operations

No components of the entity have been disposed of or classified as held for sale in the current full-year financial reporting period.
There were no residual effects during this reporting period pertaining to the Group de-merger of ICS in the prior reporting period.
In October 2006 of the prior reporting period the Group de-merged ICS Inc through a distribution of ICS shares to its shareholders and a share capital reduction of ImpediMed Limited.

(b) Financial performance of discontinued operations

The results of the discontinued operations for the year until disposal are presented below:

	Consolidated	
	2008	2007
	$	$
Revenue from Asset Disposal	**-**	-
Losses from Fixed Asset Retirement	**-**	-
Amortisation expense	**-**	(345)
Loss before tax from discontinued operations	**-**	(345)
Income tax	**-**	-
Net loss from discontinued operations	**-**	(345)

(c) Assets and liabilities and cash flow of discontinued operations

The major classes of assets and liabilities of the discontinued operations are as follows:

	2008	2007
	$	$
Assets		
Financial assets	**-**	1,471,413
Liabilities		
Net Liabilities	**-**	**-**
Net assets attributable to discontinued operations	**-**	1,471,413

(d) Cash flow information - held for operations

There were no change in cash flows pertaining to discontinued operations during the prior reporting period:

	2008	2007
	$	$
Operating activities	**-**	-
Net cash outflow	**-**	-

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2008

(e) Assets and liabilities and cash flow information of disposed entity

Consideration received or receivable:

	2008	2007
	$	$
Return of Share capital	**-**	1,471,413
Less net asset disposal of	**-**	(1,471,413)
Gain on disposal before income tax	**-**	6,888,516
Income tax	**-**	-
Gain on disposal after income tax	**-**	6,888,516

33 Events after the balance sheet date

On 11 July 2008, the Board resolved to issue 1,600,001 ordinary shares to institutional investors at $0.75 per share raising $1,200,000.

On 30 July 2008, the Board resolved to issue 4,000,000 ordinary shares to an institutional investor at $0.75 per share raising $3,000,000.

Further to a Heads of Agreement dated 23rd June 2008, on 25 August 2008 ImpediMed Limited signed a lease agreement with respect to new premises at Pinkenba in Brisbane, which from 1st August 2008 became the company's registered office and principal place of business in Australia. The agreement is for a 3 year term, with 2 x 3 year options and commences at rent of $56,000 per annum. The lease agreement on the previous premises at Eight Mile Plains was terminated early by agreement with rent paid to 31st August 2008.

Directors' Declaration

In accordance with a resolution of the directors of ImpediMed Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity:

I. give a true and fair view of the financial position as at 30 June 2008 and the performance for the year end on that date of the consolidated entity; and

II. comply with Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts when they become due and payable.

On behalf of the Board

Mel Bridges
Chairman

Jim Hazel
Director

Brisbane, 29 August 2008

ERNST & YOUNG
1 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001
Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
www.ey.com/au

Independent auditor's report to the members of ImpediMed Limited

Report on the Financial Report

We have audited the accompanying financial report of ImpediMed Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards and International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of ImpediMed Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of ImpediMed Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 9 to 12 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of ImpediMed Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Winna Brown

Winna Brown
Partner
Brisbane
29 August 2008

ImpediMed

www.impedimed.com