

Annual Report | 2009



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 4.30pm on Monday 23 November 2009 at Tattersalls Club, cnr Queen and Edward Streets, Brisbane.

Chairman and CEO's Report



The 2009 fiscal year has been an important one for your company. The major focus for 2009 was to roll out the global commercial strategy, building support with healthcare professionals, to change clinical practice in dealing with lymphoedema in breast cancer patients. This strategy was focused on changing a patient care regime based on reactive care to one of pre-emptive care.

US Breast Cancer Market

Since the June 2008 publication of the NIH study, demonstrating the benefits of pre-operative care and early intervention¹, ImpediMed has made good progress in helping to increase the global awareness around lymphoedema. ImpediMed has also played a role in building understanding about the disorder and of the benefits of pre-emptive care in breast cancer patients with key healthcare professionals.

Following FDA clearance of the L-Dex™ U400 in October 2008, the company launched a small direct sales force to service the US breast surgeon and oncologist community. To date US breast surgeons have responded positively to the adoption of a pre-emptive care assessment and treatment model.

During 2009 the company has adopted a new L-Dex agreement business model, whereby clinicians sign a long term operating lease to adopt L-Dex clinical assessments in their practices. Under an L-Dex Agreement they sign up for a minimum commitment each month, and ImpediMed establishes a business relationship deriving revenue on a per reading basis. To continue this interest it is critically important that your company continues efforts in maintaining existing and expanding new reimbursement for the test across the key US health care payers.

With the building interest around the L-Dex™ U400, a potential for a proposal has emerged for a sponsored American Society for Breast Surgeons (ASBS) patient registry. This registry should help support the adoption of the ImpediMed L-Dex device for use in aiding surgeons in the clinical assessment of breast cancer patients at risk of lymphoedema following breast cancer treatment. Up to 200 additional surgeons may be involved in the registry.

Pelvic Region Cancer Market

The company's second wave market focus will be to clinicians managing patients who have been treated for pelvic region cancers and are at risk of lymphoedema in one (unilateral) or both (bilateral) legs.

This market is significantly larger in size than the breast cancer market in the USA².

The current L-Dex U-400 is capable of aiding a healthcare professional in the clinical assessment of unilateral lymphoedema in both arms and legs, and has TGA clearance and a CE Mark for Europe. ImpediMed expects to submit an application for FDA clearance of the L-Dex U400 for unilateral leg lymphoedema by the 3rd quarter of 2010.

To address the market for bilateral leg lymphoedema the company is developing its next generation device, the L-Dex UB500, to prototype stage, which will be capable of use in both unilateral and bilateral lymphoedema in males and females.

The company expects to submit an application for FDA clearance of the L-Dex UB500 for use in the clinical assessment of bilateral leg lymphoedema by the 1st quarter of 2011.

Key Publications in the 2009 Fiscal Year

ImpediMed's current device is supported by over a decade of clinical evidence and peer reviewed science. The fiscal year 2009 saw that continue with several key publications presented^{3,4,5,6,7,8}.

The overwhelming trend in 2009's publications is a continued emphasis on the importance of pre-emptive care in the modern health environment. Therefore, the ability to aid clinicians in clinically assessing lymphoedema earlier and commence earlier interventions could prove to be very important, both to the quality of life of the patient and in reducing the cost burden of complex long term treatment.

1. Stout aGergich N, Washington F, Pflazer L, Soballe P and McGarvey C , Preoperative assessment enables the early diagnosis and successful treatment of lymphedema., Cancer, Vol 112, pp 2809-2819, June 2008.

2. U.S. Cancer Statistics Working Group. *United States Cancer Statistics: 2003 Incidence and Mortality*. Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention and National Cancer Institute; 2006.

3. Hayes, S.C., et al., Lymphedema after breast cancer: incidence, risk factors, and effect on upper body function. J Clin Oncol, 2008. 26(21): p. 3536-42

4. Ward, L.C., S. Czerniec, and S.L. Kilbreath, Quantitative bioimpedance spectroscopy for the assessment of lymphoedema. Breast Cancer Res Treat, DOI 10.1007/s10549-008-0258-0 2008.

5. Lawenda, B.D., T.E. Mondry, and P.A. Johnstone, Lymphedema: a primer on the identification and management of a chronic condition in oncologic treatment. CA Cancer J Clin, 2009. 59(1): p. 8-24.

6. Ridner, S.H., et al., *Bioelectrical Impedance for Detecting Upper Limb Lymphedema in Nonlaboratory Settings*. Lymphat Res Biol, 2009.

7. Shih, Y.C., et al., *Incidence, Treatment Costs, and Complications of Lymphedema After Breast Cancer Among Women of Working Age: A 2-Year Follow-Up Study*. J Clin Oncol, 2009.

8. Ward, L.C., S. Czerniec, and S.L. Kilbreath, *Operational equivalence of bioimpedance indices and perometry for the assessment of unilateral arm lymphedema*. Lymphat Res Biol, 2009. 7(2): p. 81-5

Chairman and CEO's Report (continued)

With governments all over the globe now focussed on finding ways to become more proactive about preventative and pre-emptive health care models, one of the most significant of the 2009 publications, authored by Shih et al⁷, established that the costs of managing a patient with breast cancer-related lymphoedema (BCRL) were significantly higher (in the range of \$US 14,877 to \$US 23,167 over the two year study period), than those breast cancer patients without lymphoedema. According to the authors, "This study likely underestimates the cost of BCRL. The onset of lymphoedema varies in time; although we followed our study cohort for two years, the costs of BCRL for women who developed the condition late within that period would not reflect the total financial burden of BCRL."

ImpediMed's business model is supported by the conclusion of this study. ImpediMed is very focused on the use of the L-Dex U400 by surgeons and oncologists for pre-emptive care; both for pre-operative and post-operative surveillance of patients, with the main aim being to detect the earliest stages of the disorder and prevent its potential progression to the later more costly stages.

In another significant study⁸ researchers from Sydney University's Breast Cancer Research Group, provided further support for ImpediMed's technology for early detection and assessment of lymphoedema concluding that bioimpedance spectroscopy (BIS) is better suited for monitoring early stage lymphoedema, where changes are predominantly in extracellular fluid volumes, than a volumetric technique (perometry), which does not have US FDA clearance for clinical assessment.

The use of ImpediMed devices in non-laboratory settings was the focus of another study in 2009⁶, demonstrating the potential for a homecare device.

Health Management and Reimbursement Progress

Large scale commercial success for a medical device company is highly dependent on the establishment of reimbursement and guidelines that support adoption, both from a cost recovery viewpoint and one of clinical acceptance.

Reimbursement for the clinician by the patient's health care insurer is a critical component in the uptake of any medical device in the US market.

In the initial launch phase, ImpediMed has monitored closely the access to a miscellaneous reimbursement code which allows clinicians, in certain areas of the US, to access reimbursement for a percentage of their patients. This has supported early adopter breast surgeons, in certain regions, in achieving some recovery for the costs of providing L-Dex readings for their patients.

The second wave in the US reimbursement strategy is to apply for a Category One Reimbursement Code through the American Medical Association, which is targeted for their November 2009 application round. A Category One Code generally achieves a higher level of support with health care insurers and health management organisations (HMOs), and dramatically simplifies the process of achieving reimbursement for the clinician.

The criteria assessed by the AMA and the Relative Units Committee that goes on to set payment include widespread adoption of the technology, health economics, and US peer reviewed science. ImpediMed believes it is positioning itself well in all these respects for the November 2009 submission.

If the Category One Code application is submitted in November 2009 and is approved, it would become effective after gazetting, in January 2011. From this point clinician adoption would be expected to increase dramatically if coverage can be established for the code.

Building on the progress with reimbursement, it is also critical to establish support from health care payers and HMO's for coverage of the reimbursement codes. Recent legislation signed into law by the North Carolina General Assembly has mandated that every state health benefit plan shall provide coverage for the diagnosis, evaluation and treatment of lymphoedema.

This state legislation goes further than any other US federal or state legislation has previously gone. It specifically addresses coverage for the diagnosis and evaluation of lymphoedema in all situations, not just to mastectomy related lymphoedema.

This legislation should further facilitate the adoption of a pre-emptive care approach to monitoring patients at risk of lymphoedema, by supporting medical providers in the reimbursement for the clinical diagnosis and evaluation of lymphoedema.

Intellectual Property

ImpediMed continues to invest in the maintenance and development of a strong portfolio of Intellectual Property in the form of patents and patent applications. This is a critical part of protecting the very valuable business that is being built around the use of BIS in lymphoedema, fluid status and other areas, and further families of patents and patent applications were added during the year.

Operations

During fiscal 2008 the decision was taken to orient ImpediMed's business towards supporting the US market focus through establishing the company's San Diego base as the operations hub. With this decision made, 2009 was a year of transition and implementation, moving key positions, responsibilities and processes to San Diego.

As part of the transition a Vice President Operations was appointed in November 2008, and further senior positions are targeted to be filled in San Diego in the September Quarter 2009.

Next Year's Key Focus

There are a number of key initiatives planned for the coming year:

- File the application for a Category One Reimbursement Code with AMA in November 2009.
- Foster the potential opportunity for an ASBS sponsored registry in the US.
- Expand and protect present miscellaneous reimbursement code coverage through the expansion of the Managed Care team.
- Drive more L-Dex agreement placements through expanded sales and technical support resources.
- Appoint critical quality and regulatory staff in the San Diego office to support the highest standards in quality and regulatory compliance.
- Register the San Diego facility as a manufacturer under ISO13485 and with US FDA.

In 2010, should coverage around the miscellaneous code build and the Category One Code application succeed, your company would expect to accelerate adoption of the L-Dex technology across the US market.

We would like to conclude by acknowledging the efforts, dedication and loyalty of the ImpediMed team, who worked tirelessly through what was a very demanding year of great change.

We also wish to acknowledge the wisdom and strategic guidance offered by our Board of Directors, who provided a great source of support and independent thinking that was of enormous support to management in a challenging year.

Board of Directors and Senior Management

Board



Mel Bridges
Chair



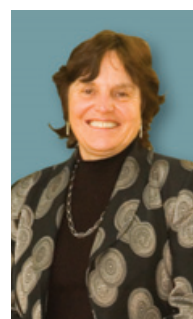
Greg Brown
Chief Executive
Officer &
Managing Director



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, Company
Secretary



Jack Butler
Vice President
Business
Development US



Belinda Robinson
Vice President
International
Marketing & Sales



Kym Fletcher
Group Finance
Manager



Dennis Schlaht
Director Product
Development



Cath Kingsford
Director
Clinical Trials &
Regulatory Affairs

Not shown:
John Honeycutt
Vice President
Operations

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

Financial Report

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Corporate Information

ABN: 65 089 705 144

This financial report covers the consolidated entity comprising ImpediMed Limited ("the Parent") and its subsidiaries ("the Group"). The Parent's functional and presentational currency and the Group's presentational currency is AUD (\$). A description of the Group's operations and of its principal activities is included in the operating and financial review in the directors' report. The directors' report is not part of the financial report.

Directors

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

Company Secretary

P Auckland

Registered office

Unit 1, 50 Parker Court
Pinkenba QLD 4008

Principal place of business

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Pinkenba QLD 4008
Phone: +61 7 3860 7000

Share Register

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Phone: +61 2 8280 7111

ImpediMed Limited shares are listed on the Australian Securities Exchange (ASX).

Solicitors

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Sheppard Mullin
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Carter Newell
Level 13, 215 Adelaide Street
Brisbane QLD 4000

Bankers

ANZ Bank
Acacia Ridge Business Centre
Acacia Ridge QLD 4110

Commonwealth Bank
240 Queen Street
Brisbane QLD 4000

Auditors

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

Directors' Report

Your directors submit their report for the year ended 30 June 2009.

Directors

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

Mel Bridges, B.Sc FAICD - Chairman

Mel Bridges is a shareholder and co-founder of ImpediMed Limited. Through his founding shareholding and subsequent investments in ImpediMed Limited, he holds around 4.3% of the ordinary shares on issue. Mel 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 Limited, and a non-executive director of Benitec Limited, Incitive Limited, Genera Biosystems Limited, and Tissue Therapies Limited. Further, Campbell Brothers Limited have recently announced that they will be appointing Mel as a non-executive director on 29th September 2009.

Listed company directorships held since 1 July 2006:

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	-
Genera Biosystems Limited	11-Dec-2008	-
Tissue Therapies Limited	13-Mar-2009	-

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 through investments in ImpediMed Limited holds around 4% of the ordinary shares on issue.

Listed company directorships held since 1 July 2006:

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

Martin Kriewaldt, BA LIB (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. Martin is a non-executive director of ASX listed, Suncorp Metway Limited, Campbell Brothers Limited, Oil Search Limited, Macarthur Coal Limited, and BrisConnection Unit Trusts.

Listed company directorships held since 1 July 2006:

Company Name	Appointed	Resigned
ImpediMed Limited	24-Mar-2005	-
GWA International Limited	25-Jun-1992	30-Oct-2008
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
Macarthur Coal Limited	13-Oct-2008	-
BrisConnection Unit Trusts	24-Oct-2008	-

Directors' Report

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 Peplin Inc, ASX listed Suncorp Metway Limited, and ASX listed Tissue Therapies Limited. Cherrell is also deputy chair and Acting Chief Executive Officer of Queensland BioCapital Funds.

Listed company directorships held since 1 July 2006:

Company Name	Appointed	Resigned
ImpediMed Limited	01-Aug-2005	-
Peplin, Inc. (formerly Peplin Limited)	17-Aug-2000	-
Suncorp Metway Limited	08-Feb-2002	-
Tissue Therapies Limited	30-Jun-2009	-

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 Limited. Jim is Chairman of Rural Bank Limited (formerly Elders Rural Bank Limited), and a non-executive director of ASX listed Becton Property Group Limited.

Listed company directorships held since 1 July 2006:

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	05-Jun-2009

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

Michael Panaccio joined ImpediMed Limited as a non-executive director in January 2007. Michael serves on the Audit Committee, Remuneration Committee, and the Nomination Committee. 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 and entities he is associated with including Starfish hold around 22.5% of ImpediMed Limited's ordinary shares. As outlined at Note 24(b)(iv) there is an additional 8.2% of the ordinary shares that are by virtue of being under escrow and controlled by ImpediMed Limited are deemed to be controlled by Dr Panaccio due to his greater than 20% holding. Michael's experience also includes more than five years with Singapore based venture capital firm Nomura/JAFCO investment (Asia) Limited.

Listed company directorships held since 1 July 2006:

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

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	CEO Options
M Bridges	4,741,459	45,000	-
G Brown	4,482,477	14,000	1,747,673
M Kriewaldt	205,230	-	-
J Hazel	281,777	33,750	-
C Hirst	203,579	17,250	-
M Panaccio	32,354,384	2,877,700	-

Directors' Report

Company secretary

Phillip Auckland, B.Bus, FCPA – Chief Financial Officer & Company Secretary

Phil Auckland joined ImpediMed Limited in June 2004 as Chief Financial Officer and was appointed Company Secretary in November 2004. Before joining ImpediMed Limited, he was Chief Financial Officer and Company Secretary of ASX listed PANBIO Limited. Phil is an FCPA, holds a Bachelor of Business in Accounting, and a Graduate Diploma in Company Secretarial Practice, and in 2002 completed the Columbia University Senior Executive Program.

Principal activities

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

Operating and financial review

Group overview

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

The Group consists of three entities:

- ImpediMed Limited, the parent company operating in medical markets in regions outside the USA, which was incorporated in 1999 and which listed on the ASX on the 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 the 1st October 2007.

Profit and loss

Sales revenues related to goods and services for the reporting period ended at \$2,991,953 up 27.8% against the comparative sales revenues for the year ended 30 June 2008 of \$2,341,482.

It should be noted that the revenue increase is in spite of a shift from focusing on a device sales business model in the Group's key lymphoedema market, to focusing on an L-Dex operating lease business model, where revenue is recognised based on the minimum tests per month contracted for and taking up revenue from additional consumables purchased at a per test price over the contracted minimum.

The consolidated net loss after income tax for the year ended 30 June 2009 was \$14,027,655 (2008: \$9,754,128). Outlined below are key points to note with respect to the increased loss:

- a) The Group's net loss was impacted negatively overall by the lower average exchange rate between the AUD and the USD in 2009 versus 2008. The average rate for the reporting period was USD 0.748 versus USD 0.896 for fiscal year 2008. The US business generated a net loss of USD \$5,543,031, converting to AUD \$7,494,481 using actual monthly exchange rates as opposed to the year average. The negative movement in exchange rate caused a variance of AUD \$1,308,062.
 - To October 2008 the Group kept the majority of cash in AUD, but since then has adopted a policy of keeping a proportion of its available funds in USD to match anticipated USD cash usage.
 - This strategy has been adopted primarily to enable more accurate planning to the next required capital raising, and to eliminate reductions in available cash through currency risk.
- b) 2009 External Research and Development project costs were \$2,927,685 (2008: \$1,827,962) an increase of \$1,099,723. The majority of the R&D spend related to the UB500 project, which in January 2009 reached the prototype stage. External spending in the second half of the financial year reduced as the Group moved into a phase of the project where predominantly internal resources are involved in trials and reviews.
- c) 2009 Grant income from the Commercial Ready Grant in support of the UB500 program was \$274,809 (2008: \$1,075,787) a decrease from 2008 of \$800,978.
- d) 2009 Salaries and Benefits increased with the increased headcount in the US. Salaries in the parent decreased with the transfer of a number of roles from the Brisbane based head office to the San Diego Global Operations hub.
 - Total Group Salaries and Benefits increased to \$5,577,517 (2008: \$4,134,984). Of the movement the component already ascribed to exchange rate movement 2008 to 2009 is \$668,720, so the portion of the variance relating to actual salary and benefits expense increase is \$773,813.
 - The average full time equivalent (FTE) headcount through 2009 was 34.1 versus 23.8 through 2008. The Group established a direct sales team in the US in the September quarter 2008 and added support positions in the San Diego operations hub.

Directors' Report

Shareholder returns

The Group's share price and earnings per share (EPS) for the current reporting period and previous two period periods are as follows:

	2009	2008	2007
Closing share price	\$0.64	\$0.78	-
Basic EPS	(0.16)	(0.15)	(0.50)

The 18% decrease in share price is against an ASX All Ordinaries movement from 5332.9 at 30 June 2008 to 3947.8 at 30 June 2009 a decrease of 26%.

Significant changes in the state of affairs

During 2009 Issued capital increased to \$61,484,475 at 30 June 2009 (2008: \$50,809,291); total equity decreased to \$10,067,104 (2008: \$12,300,369), and total liabilities increased to \$3,030,872 at 30 June 2009 (2008: \$2,214,667).

During the year ended 30 June 2009, the Group raised capital as follows:

- \$1,200,001 on 11th July 2008 through the issue of 1,600,001 ordinary shares under a placement to institutional investors at 75 cents per share.
- \$3,000,000 on 30th July 2008 through the issue of 4,000,000 ordinary shares under a placement to institutional investors at 75 cents per share.
- \$2,000,000 on 30th January 2009 through the issue of 2,857,143 ordinary shares under a placement to institutional investors at 70 cents per share.
- \$5,000,000 on 2nd June 2009 through the issue of 7,812,500 ordinary shares under a placement to institutional investors at 64 cents per share.

At 30th June 2009, the Parent had also completed an underwritten entitlement offer to shareholders raising \$6,969,138 at 64 cents per share, with all applications received and the shortfall notice issued to the underwriter. The 10,889,278 shares under the offer were issued on 2nd July 2009.

Cash on hand decreased to \$6,633,641 at 30 June 2009 from \$8,454,469 at 30 June 2008. This balance does not include the net proceeds of the entitlement offer received in early July.

The refocusing of business models during the period will also impact the financial position of the Group. Under the Group's L-Dex business model it enters an operating lease with clinicians and places an ImpediMed L-Dex U400 with the clinician for which they pay a monthly or quarterly minimum payment (after the expiry of the trial period for reimbursement assessment). Under this model ImpediMed retains title to the devices and they are included in property, plant and equipment and depreciated. During the period devices under this kind of arrangement increased from \$50,863 to \$172,599. As the business scales up the investment in equipment will become quite significant, though the profitability of the business model justifies the investment in the equipment.

Significant events after the balance date

Other than:

- On 2nd July 2009, the Board resolved to issue 10,889,278 ordinary shares to applicants and underwriters of the entitlement offer dated 28th May 2009 at \$0.64 per share raising \$6,969,138;
- On 4th August 2009, the Board resolved to issue 111,249 ordinary shares under the employee performance share plan relating to the vesting of 2007 performance shares; and
- On 4th August 2009, the Board resolved to issue 21,000 ordinary shares to a consultant under the US Equity Incentive Plan for the achievement of objectives,
- On 4th August 2009, the Board offered 1,682,500 options under existing option plans to employees and consultants.

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.

Directors' Report

Likely developments and expected results

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

- The Group is expecting to submit an application for a category one reimbursement code to the AMA in the US in November 2009. If approved the application would then go through setting of a payment level in the first or second quarter of calendar 2010 and would be gazetted to be available for use by 1st January 2011. The availability of a category one code simplifies processing of claims for reimbursement by clinicians relative to using miscellaneous reimbursement codes.
- The Group is awaiting advice from the FDA on their suggested approach to the application for clearance of the U400 for clinical assessment of unilateral lymphoedema of the leg. If cleared this intended use will be in addition to the current clearance for clinical assessment of unilateral lymphoedema in the arm in a population of breast cancer patients. The Group expects to submit applications for FDA clearance of its L-Dex U400 device for use in the clinical assessment of unilateral leg lymphoedema by the 3rd quarter of calendar year 2010.
- The Chairman and CEO's report outlines plans with respect to the addition of a resource in managed care to support clinician reimbursement, and progress in the establishment of a registry program with the American Society of Breast surgeons. Both factors are expected to support an increase in take up of L-Dex agreements among breast surgeons.
- The Group expects to continue to generate a net loss in financial year 2010 while building a market position among breast surgeons in the US. If the category one reimbursement code application is successful the availability of that code for use by clinicians in January 2011 is expected to be the driver that will accelerate adoption in the US and move the business towards a cash flow positive position.
- The Group expects to continue its fund raising program to the end of calendar year 2010.

Environmental regulation and performance

The Group is supporting the global move towards lead free components in its device electronics and is working with its contract manufacturers to identify lead free replacement parts to substitute into its device designs.

Other than the above, the Group'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 2009	30 June 2008
IPO Options	12,500,000	12,500,000
CEO's Options	1,747,673	1,747,673
ESOP Options	2,884,840	3,663,333
Total Options	17,132,513	17,911,006

The IPO Options were issued as part of the Parent's initial public offering on the ASX on the basis of one option for every two shares subscribed for. They are listed options and trade under the ASX code IPDO.

In addition to the above there are 380,922 (2008: 359,917) performance shares outstanding.

On 4th August 2009, the Board offered 1,682,500 options under existing share option plans to employees and consultants.

Refer to Note 26 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 ESOP options have been exercised by employees or by the Chief Executive Officer.

Directors' Report

Dividends

No dividends were paid or proposed to be paid to members for the year ended 30 June 2009.

Indemnification and insurance of directors and officers

The Group has agreed to indemnify all the Directors for certain breach of law by the Group for which they may be held personally liable. For the year ended 30 June 2009, the Group has paid premiums \$53,625 in respect of a Director's and Officer's insurance policy.

Under a Director's Deed of Access and Indemnity the Parent has agreed to indemnify directors against any claims or costs, including defence costs, incurred by the director in connection with or as a consequence of the acting as a director, representing the Parent on any body corporate, or being held personally liable pursuant to the provisions of any deed of guarantee executed by the director in relation to any of the Parent's creditors. The indemnity does not extend to liabilities to the Parent as a consequence of the director acting as a director, any liability arising out of conduct involving a lack of good faith, or any liability recovered by the officer under any insurance policy that the Parent or the officer has taken out.

REMUNERATION REPORT (Audited)

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

Key management personnel

(a) Details of key management personnel

At the date of this report the directors and key management personnel (KMP) of the Group 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 and Company Secretary
John Honeycutt	VP Operations
Jack Butler	VP Business Development US
Belinda Robinson	VP International Marketing and Sales
Kym Fletcher	Group Finance Manager
Dennis Schlaht	Director of Product Development
Catherine Kingsford	Director Clinical Trials and Regulatory Affairs

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

- John Honeycutt was appointed as VP Operations on 24th November 2008.
- Kym Fletcher was appointed as Group Finance Manager on 1st December 2008.
- Catherine Kingsford was elevated from Clinical Trials Manager to Director Clinical Trials and Regulatory Affairs on 28th August 2008.
- As reported in the annual financial report for 30 June 2008, Roger Render, VP Quality and Regulatory Affairs passed away on 17th February 2008. His role and responsibilities have been spread among other managers.
- As reported in the annual financial report for 30 June 2008, Steve Smith moved to a consulting arrangement on 1st April 2008 acting in a part time capacity as VP US Investor Relations.
- Since the demerger of Impedance Cardiography Systems, Inc (ICS) from ImpediMed in October 2006, Dr Scott Chetham had moved to become an employee of ICS and was contracting back for part of his time to act as a part time Chief Technology Advisor. During the reporting period this part time commitment to the Group was brought to an end so that Dr Chetham could give the focus necessary to his core ICS role. Dennis Schlaht, Director of Product Development has taken up interim responsibility from Dr Chetham, until the Group can make a long term appointment of a Vice President of Research and Development.

Directors' Report

There were no changes to the above positions between the reporting date and the date this annual 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.

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 \$338,850 are well within the approved fee pool, which allows for the expansion of the Board as the needs of the business requires it.

The current fees were set by reference to a report commissioned by the chair of the Remuneration Committee from a firm specializing in board remuneration advice 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 continues to consider that the fees set in 2006 remain appropriate in the light of the current economic circumstances and the Board's requirement to continue to fund negative cashflow from operations.

(c) Remuneration policies and review processes

The Board of Directors appoints a Remuneration Committee to review remuneration policies for the organization periodically, and to critically review the remuneration for the CEO and executive staff, and to set remuneration policy and oversee its application.

The Group is building a substantial global business with a near term focus on the creation of a new market for the clinical assessment of lymphoedema in breast cancer survivors changing medical practice to a preemptive care model lead by the Breast Surgeons and Oncologists. Execution of this strategy and the support for the L-Dex business model in the operations area of the business are challenges requiring talented, experienced and committed executives, managers, and professionals. They are attracted to the opportunity by the chance to apply their experience to the creation of substantial value, and to share in doing so with shareholders.

To attract, motivate and retain staff of the caliber required, the Group needs to position itself with an attractive remuneration system incorporating Fixed Remuneration, Short Term (Cash) Incentives (**STIs**), and Long Term (Equity) Incentives (**LTIs**). The critical operations of the Group are based in the United States where norms for remuneration are more incentive based and personal achievement oriented than in Australia.

Fixed Remuneration

The Group seeks to strike a balance with Fixed remuneration between minimizing the cash burn from operations in a business that is not yet self funding, and being competitive in attracting upper quartile performers capable of achievement at the necessary level from the competitive medical device industry.

The Group markets its employment opportunities emphasizing the potential value of LTIs giving employees an equity stake in the Parent. At the same time the Group sets the bar high in terms of expectations and provides a fair fixed remuneration component that rewards commitment in demanding circumstances, but which due to the potential value of the LTIs is targeted more toward salary survey medians than upper quartiles.

The Group aligns salary reviews with calendar years. For Calendar 2009 the remuneration committee did not award any economic increases to Fixed Remuneration. The Consumer Price Index (CPI) for calendar 2008 had been at 3.7% in Australia, while the US was 0.1%. In spite of some increased costs of living as a background, the Remuneration Committee felt it prudent in an environment with increasing unemployment, constrained access to capital, and negative cashflow from operations, not to grant any economic rises to Fixed Remuneration for calendar 2009. Situational increases were granted to only 4 of 31 permanent employees.

Directors' Report

Short Term Incentives

The Group includes an STI component in the remuneration of all permanent employees. STIs can be in one of 3 forms:

- For sales and business development staff: Either sales commissions, which are primarily focused on the placement of L-Dex agreements, or quarterly bonuses based on achievement of defined objectives.
- For senior management and all other staff not covered above: Performance Pay based on a calendar year, and ranging between 5% of Fixed Remuneration and 20% of Fixed Remuneration when 100% performance against key performance indicators (KPIs) is achieved.

The performance pay STI applied to 22 permanent employees for calendar year 2008.

Management set KPIs for all employees and weight them for their relative importance for developing an overall assessment of an employees' performance. KPIs are aligned with the Group's short and long term goals as outlined in this report. KPIs for KMP are approved and performance assessment reviewed and approved by the Remuneration Committee.

Long Term Incentives

LTIs are a critical element of remuneration for all employees of the Group.

From 2007 the Group has granted LTIs each calendar year, for which vesting is impacted by the performance percentage achieved against KPIs by the employee during the calendar year in which the options or shares were granted. The performance percentage achieved during the calendar year in which the options or shares were granted is multiplied by the number of options or shares granted to give a performance adjusted entitlement (PAE) that vests 1/3 at the end of the performance year in question, 1/3 the following year, and 1/3 the second year following the performance year subject to certain other vesting conditions.

(d) CEO Remuneration

The CEO, Mr Greg Brown, entered into an employment contract with the Parent 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, twelve months salary would be payable.

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.

Prior to joining the Group Mr Brown had greater than ten years experience and measurable success in senior executive roles in the USA, Switzerland, Germany and the United Kingdom. He joined the Group 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.

The CEO's base salary for calendar year 2009 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 21% of his base salary.

For calendar year 2008 the CEO earned 80% of his potential short term incentives.

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 Group's initial public offering on the Australian Stock Exchange. While the October 2007 options issued in conjunction with the IPO did not include any performance hurdles, they were set with exercise prices for half the options at 91 cents, and the other half at \$1.03 relative to an IPO price (adjusted for the one option per two shares included for the 72 cent subscription price) of 53.45 cents. Future options issued to the CEO as for all employee and KMP options now issued will include performance hurdles. On 4th August 2009, the Board offered an additional 250,000 options to the CEO.

In addition to his long term incentive holdings the CEO has a shareholding of around 4% of ordinary shares having invested his own funds in the Parent in 2001, 2003, 2006, and 2007, and buying shares in the market since listing.

Directors' Report

(e) Remuneration of key management personnel

(i) Remuneration of key management personnel for the years ended 30 June 2009 and 30 June 2008*

30 June 2009	Short Term			Post Employment	Share-based	Total	Performance Related	Options Related
	Salaries & Fees	Cash Bonus	Non-monetary	Super-annuation	Options and Performance Shares			
	\$	\$	\$	\$	\$	\$	%	%
Directors								
M Bridges	100,000	-	-	9,000	-	109,000	-	-
G Brown	332,068	81,000	96,000	45,816	55,478	610,362	23.55	9.09
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	190,397	29,765	36,000	23,055	27,369	306,586	19.51	8.93
J Honeycutt**	129,211	26,668	-	5,048	22,515	183,442	26.81	12.27
J Butler**	264,461	44,730	-	10,579	75,332	395,102	30.39	19.07
B Robinson	144,200	27,687	-	15,470	45,637	232,994	32.54	19.59
K Fletcher	64,167	13,500	-	6,990	3,753	88,410	20.89	4.24
D Schlaht**	184,034	29,530	-	7,361	29,287	250,212	23.51	11.70
C Kingsford	103,000	14,871	-	10,608	15,010	143,489	21.76	10.46
	1,726,538	267,751	132,000	148,777	274,381	2,549,447		
30 June 2008								
	Salaries & Fees	Cash Bonus	Non-monetary	Super-annuation	Options and Performance Shares	Total	Performance Related	Options Related
	\$	\$	\$	\$	\$	\$	%	%
Directors								
M Bridges	100,000	-	-	9,000	-	109,000	-	-
G Brown	304,000	80,000	96,000	43,200	98,630	621,830	29.88	15.86
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	39.92	27.91
J Butler**	215,895	41,266	-	19,431	53,909	330,501	28.80	16.31
B Robinson	102,564	25,513	25,000	13,777	29,693	196,547	29.26	15.11
D Schlaht**	110,479	20,275	8,145	9,943	2,109	150,951	14.83	1.40
S Smith**	110,165	-	18,675	-	3,380	132,220	2.56	2.56
R Render	54,533	9,620	9,600	7,382	7,626	88,761	20.41	8.59
S Chetham	60,110	11,267	15,000	7,436	5,314	99,127	17.75	5.36
	1,411,746	222,941	208,420	143,919	289,280	2,276,306		

* The above figures represents the amounts expensed in the relevant reporting period.

** All figures shown in AUD although remuneration paid in USD.

Directors' Report

(ii) Remuneration options: Granted and vested during the year

30 June 2009	Granted	Terms and Conditions for each Grant				Vested
	No.	Grant date	Value per option at grant date	Exercise price per option	Expiry Date	No.
			\$	\$		
Executives						
J Honeycutt	100,000	20/02/09	0.2854	0.7022	31/12/14	-
J Honeycutt	100,000	20/02/09	0.3249	0.7022	31/12/15	-
J Honeycutt	100,000	20/02/09	0.3597	0.7022	31/12/16	-
K Fletcher	16,667	20/02/09	0.2854	0.7022	31/12/14	-
K Fletcher	16,667	20/02/09	0.3249	0.7022	31/12/15	-
K Fletcher	16,666	20/02/09	0.3597	0.7022	31/12/16	-
	350,000					-

(iii) Shares issued on exercise of remuneration options

No shares were issued during the years ended 30 June 2009 and 30 June 2008 on the exercise of remuneration options.

f) Hedge Policy

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

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:

	Directors' Meetings	Meetings of Committees		
		Audit	Remuneration	Nomination
Number of meetings held	16	2	1	1
Number of meetings attended:				
M Bridges	14	2	1	1
G Brown	16	2	1	1
M Kriewaldt	15	2	1	1
J Hazel	14	2	1	1
C Hirst	14	2	-	1
M Panaccio	16	2	1	1

Directors' Report

Committee membership

At the date of this report, the Group 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 on page 13 from the auditor of the Group and have resolved the auditor is independent.

Non-audit services

Ernst & Young received or are due a total of \$202,442 for audit related services for the current reporting period. No non-audit services were provided.

Signed in accordance with a resolution of the directors.



Jim Hazel
Director

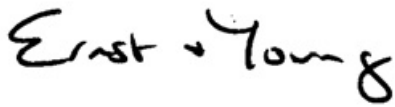


Greg Brown
Chief Executive Officer

Brisbane, 28 August 2009

Auditor's Independence Declaration to the Directors of ImpediMed Limited

In relation to our audit of the financial report of ImpediMed Limited and its controlled entities for the financial year ended 30 June 2009, 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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Phelps'.

Mark Phelps
Partner
28 August 2009

Corporate Governance Statement

The Board of Directors is responsible to shareholders to oversee the activities and results of the Group. The Group's activities are being directed towards supporting the Group's core value creation strategy to create a substantial market for the Group'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.

Board Composition

The Board has been structured to add value to the Group and comprises the skills sets determined as necessary for its governance of the Group.

The Board has a Nomination Committee, constituted by all members of the Board. The Nomination Committee met once during the year to discuss Board composition during the reporting period. The committee resolved it was satisfied with the current composition of the Board.

However with the continuing orientation of the business to one with a strong US market focus, the committee is maintaining a watching brief for appropriate opportunities to bring some US based director representation to the Board.

The Board of Directors is constituted as shown in the following table:

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

Corporate Governance Statement

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 holds around 4.3% of the ordinary shares in the Group, and Dr Michael Panaccio the Principal of Starfish Ventures is a substantial shareholder and holds around 22.5% of the ordinary shares in the Group. The CEO Greg Brown as CEO and Managing Director is also a significant shareholder with around 4.0% of the ordinary shares in the Group, and as part of management cannot be considered independent.

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 Group being deeper than for most shareholders. If anything, that they have large shareholdings at stake in the Group 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. 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 Group's history more than outweighs any disadvantage to the Group arising from his association with a significant shareholder of the Group. 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 Group.

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 Group's history more than outweighs any disadvantage to the Group arising from his association with a significant shareholder of the Group or any previous role with the Group. 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 Group. In addition, his "corporate memory" stemming from his long history with the Group's product and its development is also a great advantage to the Board.

ASX Corporate Governance Principles

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

The table below summarises the Principles and summarises the extent to which the Group follows the recommendations and how.

Principles (P) & Recommendations (R)		Status
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 Group has a delegated authorities policy which is disclosed on its website under Investor Relations and Corporate Governance.		
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 as described.		

Corporate Governance Statement

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 due to the size of their shareholdings. Refer to the discussion under the section of the governance statement 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 significant shareholder, and is therefore technically not an independent director. Refer to the discussion under the section of the governance statement 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 has a Nomination Committee.		
R2.5	Companies should disclose the process for evaluating performance of the Board, its committees, and individual directors	✓
<p>The Board last completed a formal evaluation of Board, director, and committee performance prior to listing on ASX in September 2007.</p> <p>The Chairman of the Nomination Committee is preparing to conduct the 2009 review in the second half of calendar year 2009 following the Group's completion of the entitlement offer. The review process is described in the Nomination Committee charter on the Group's web site.</p>		
R2.6	Companies should provide the information in the guide to reporting on Principle 2.	✓
The required reporting information has been disclosed.		

Corporate Governance Statement

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: <ul style="list-style-type: none"> 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 Group has a code of conduct which is disclosed on its website under Investor Relations and Corporate Governance, and which covers the recommended topics.		
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.	✓
<p>The Group has a securities trading policy applying to directors, senior executives and employees, which is disclosed on its website under Investor Relations and Corporate Governance.</p> <p>The attention of directors and staff is drawn to the policy each time the Group communicates the opening of a trading window under the policy.</p>		
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 Group has an Audit Committee.		
R4.2	The Audit Committee should be structured so that it: <ul style="list-style-type: none"> 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. 	✓
<p>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.</p> <p>The Audit Committee chair Jim Hazel is an independent director, and is not the Chair of the Board.</p>		
R4.3	The Audit Committee should have a formal charter.	✓
The Audit Committee has a formal charter which is disclosed on the Group's website under Investor Relations and Corporate Governance.		

Corporate Governance Statement

R4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	✓
The required reporting information has been disclosed.		
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 Group has a Disclosure policy which is disclosed on the Group's website under Investor Relations and Corporate Governance, and which fulfils the requirements of the recommendations.		
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 Group has a shareholder communication policy which is disclosed on the Group's website under Investor Relations and Corporate Governance, and which 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 Group has a risk management policy, which is disclosed on the Group's website under Investor Relations and Corporate Governance. The policy fulfils the requirements of recommendation 7.1.		

Corporate Governance Statement

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 details of how management is dealing with them. The Audit 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.		
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 Group complies with the recommendation
✗	The Group does not comply with the recommendation

Income Statement

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Continuing operations					
Sale of goods	6	2,923,121	2,213,102	1,266,352	907,747
Rendering of services	6	68,832	128,380	15,048	10,325
Finance income	6	279,185	652,803	279,003	652,738
Revenue		3,271,138	2,994,285	1,560,403	1,570,810
Income from grants and other operating income	7	405,648	1,152,030	274,808	1,108,690
Cost of goods sold		(1,457,720)	(703,757)	(690,459)	(350,395)
Interest expense - converting notes	8(a)	-	(459,461)	-	(459,461)
Interest expense - preference shares	8(b)	-	(1,222,432)	-	(1,222,432)
Other finance costs	8(c)	(5,944)	(6,783)	(3,661)	(1,547)
Depreciation and amortisation	8(d)	(741,345)	(344,889)	(161,028)	(144,910)
Salaries and benefits	8(e)	(5,577,517)	(4,134,984)	(2,084,753)	(2,528,017)
Advertising and promotion		(646,419)	(403,084)	(94,838)	(147,126)
Consultants fees	8(f)	(1,633,006)	(1,179,004)	(928,158)	(611,612)
Rent and property expenses		(495,040)	(315,826)	(86,358)	(124,994)
Research and development		(2,927,685)	(1,827,962)	(1,829,595)	(1,705,279)
Travel expenses		(898,916)	(811,749)	(440,484)	(518,528)
Doubtful debt for intercompany receivable		-	-	(6,737,156)	(4,408,341)
Provision for loss on debenture	15	-	(71,000)	-	(71,000)
Other expenses	8(g)	(3,320,849)	(2,419,512)	(2,170,798)	(2,339,416)
Profit/(loss) from continuing operations before income tax		(14,027,655)	(9,754,128)	(13,392,077)	(11,953,558)
Income tax	9	-	-	-	-
Profit/(loss) from continuing operations after income tax		(14,027,655)	(9,754,128)	(13,392,077)	(11,953,558)
Net profit/(loss) for the period		(14,027,655)	(9,754,128)	(13,392,077)	(11,953,558)

Earnings per share

Consolidated

		2009	2008
		\$	\$
Loss per share from continued operations attributable to the ordinary equity holders			
Basic and diluted loss per share	11	(0.16)	(0.15)
Loss per share from profit attributable to the ordinary equity holders			
Basic and diluted loss per share	11	(0.16)	(0.15)

Balance Sheet

AS AT 30 JUNE 2009

	Notes	Consolidated		Parent	
		as at 30 June 2009	as at 30 June 2008	as at 30 June 2009	as at 30 June 2008
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	12	6,633,641	8,454,469	6,257,665	8,048,467
Trade and other receivables	13	744,238	865,787	522,372	501,248
Inventories	14	949,590	1,236,991	305,555	650,030
Prepayments		151,655	163,299	74,354	70,938
Total Current Assets		8,479,124	10,720,546	7,159,946	9,270,683
NON-CURRENT ASSETS					
Restricted cash assets	12	124,482	30,700	31,129	30,700
Other financial assets	15	27,339	41,597	-	22,550
Investment in subsidiaries	23	-	-	2,239,568	1,955,354
Plant and equipment	16	665,106	395,972	347,959	173,768
Intangible assets	17	1,549,689	1,286,046	34,169	102,483
Goodwill	17	2,252,236	2,040,175	-	-
Total Non-Current Assets		4,618,852	3,794,490	2,652,825	2,284,855
TOTAL ASSETS		13,097,976	14,515,036	9,812,771	11,555,538
CURRENT LIABILITIES					
Trade and other payables	18	1,638,858	1,313,413	1,121,849	901,251
Interest-bearing loans	20	-	64,024	-	64,024
Provisions	19	956,458	491,577	533,883	275,656
Total Current Liabilities		2,595,316	1,869,014	1,655,732	1,240,931
NON-CURRENT LIABILITIES					
Provisions	19	435,556	345,653	200,631	175,641
Total Non-Current Liabilities		435,556	345,653	200,631	175,641
TOTAL LIABILITIES		3,030,872	2,214,667	1,856,363	1,416,572
NET ASSETS		10,067,104	12,300,369	7,956,408	10,138,966
EQUITY					
Issued capital	21(a)	61,484,475	50,809,291	61,484,475	50,809,291
Reserves	22	2,491,139	1,371,933	1,988,976	1,454,641
Accumulated losses		(53,908,510)	(39,880,855)	(55,517,043)	(42,124,966)
TOTAL EQUITY		10,067,104	12,300,369	7,956,408	10,138,966

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		3,144,247	2,268,630	744,844	971,164
Receipts from grants		416,508	1,251,987	416,508	1,251,987
Payments to suppliers and employees		(15,671,740)	(11,531,910)	(6,797,661)	(8,320,220)
Interest received		330,593	601,696	330,426	601,696
Interest paid		(5,807)	(6,784)	(3,661)	(1,547)
Net cash flows from operating activities	12	(11,786,199)	(7,416,381)	(5,309,544)	(5,496,920)
Cash flows from investing activities					
Payments for acquisition of businesses		-	73,920	-	-
Proceeds from sale of plant and equipment		10,000	-	10,000	-
Redemption of debentures		-	71,000	-	71,000
Issue of funds to subsidiaries		-	-	(6,971,585)	(4,408,341)
Transaction costs on investment in Xitron		-	(57,796)	-	(57,796)
Purchase of plant and equipment		(212,502)	(287,351)	(153,105)	(93,607)
Purchase of Intangible assets		(552,904)	(1,446,317)	-	(3,400)
Net cash flows from investing activities		(755,406)	(1,646,544)	(7,114,690)	(4,492,144)
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 ordinary shares		11,210,651	-	11,210,651	-
Transaction costs from capital raise		-	(1,494,698)	-	(1,494,698)
Transaction costs on issue Ord shares		(513,195)	-	(513,195)	-
Proceeds/(Repayment) of loans from related parties		-	46,129	-	46,129
Repayment of Xitron bank loan		-	(562,829)	-	-
Repayment of borrowings		(64,024)	(83,081)	(64,024)	(83,081)
Other costs from financing activities		-	(589)	-	(589)
Net cash flows from financing activities		10,633,432	15,904,932	10,633,432	16,467,761
Net increase/(decrease) in cash held		(1,908,173)	6,842,007	(1,790,802)	6,478,697
Net foreign exchange differences		87,345	-	-	-
Cash at beginning of period		8,454,469	1,612,462	8,048,467	1,569,770
Cash at closing of period	12	6,633,641	8,454,469	6,257,665	8,048,467

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

Consolidated	Notes	Issued Capital \$	Reserves \$	Retained Earnings \$	Total \$
At 1 July 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)
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 capital raising		(2,137,487)	-	-	(2,137,487)
At 30 June 2008		50,809,291	1,371,933	(39,880,855)	12,300,369
Foreign currency translation		-	584,871	-	584,871
Total income recognised in equity		-	584,871	-	584,871
Profit/(loss) for the period		-	-	(14,027,655)	(14,027,655)
Total income and expense for the period		-	584,871	(14,027,655)	(13,442,784)
Share-based payment		-	534,335	-	534,335
Allotment of ordinary shares		11,210,651	-	-	11,210,651
Costs of capital raising		(535,467)	-	-	(535,467)
At 30 June 2009		61,484,475	2,491,139	(53,908,510)	10,067,104
Parent					
		Issued Capital \$	Reserves \$	Retained Earnings \$	Total \$
At 1 July 2007					
		11,151,629	1,107,280	(30,171,408)	(17,912,499)
Profit/(loss) for the period		-	-	(11,953,558)	(11,953,558)
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 capital raising		(2,137,487)	-	-	(2,137,487)
At 30 June 2008		50,809,291	1,454,641	(42,124,966)	10,138,966
Profit/(loss) for the period		-	-	(13,392,077)	(13,392,077)
Share-based payment		-	534,335	-	534,335
Allotment of ordinary shares		11,210,651	-	-	11,210,651
Costs of capital raising		(535,467)	-	-	(535,467)
At 30 June 2009		61,484,475	1,988,976	(55,517,043)	7,956,408

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

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Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

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 results 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

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 2009. 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.

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.

Operating lease commitments – Group as lessor

The Group has entered into leases with respect to its devices. The Group has determined that it retains substantially all of the significant risks and rewards of ownership of these devices and has thus classified the leases as operating leases.

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.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

(ii) Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least 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 period. 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. The Black Scholes model is used, with the assumptions detailed in Note 26. 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 estimated. The actual outcome may differ from these assumptions.

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.

2 Summary of significant accounting policies

Basis of preparation

The financial report of the Group for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 28 August 2009.

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 (AUD) unless otherwise noted.

(a) Compliance with IFRS

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

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

(b) Going Concern

This report has been prepared on the basis that the Parent and the Group are going concerns. The Parent and the Group have net assets of \$7,956,408 and \$10,067,104 respectively (30 June 2008: \$10,138,966 and \$12,300,369 respectively) and realised a loss after income tax of \$13,392,077 and \$14,027,655, respectively for the year ended 30 June 2009.

Subsequent to 30 June 2009 the Parent has raised \$7.0 Million through the issue of shares (refer Note 30). Given that commercialisation milestones continue to be achieved, and the directors expect the business plan of the Parent and the Group will remain attractive to investors, it is the directors' view that further capital raising is likely to be successful.

The directors also note that operating plans have been set such that cash on hand at the date of signing (which includes the additional \$7.0 Million raised) is expected to last in excess of 12 months.

On this basis the directors believe that the going concern basis of presentation is appropriate. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Parent and Group not continue as going concerns.

(c) New accounting standards and interpretations

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 2009. 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	<i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i> <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	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	The impact of these amendments are not expected to be material to the Group.	1 July 2009
AASB 2008-7	<i>Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	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 subsidiary, in limited reorganisations, to be based on	1 January 2009	This change is not expected to be material to the Group in the near term but will be applied as applicable.	1 July 2009

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

		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 8 and AASB 2007-3	<i>Operating Segments and consequential amendments to other Australian Accounting Standards</i>	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	<i>Borrowing Costs and consequential amendments to other Australian Accounting Standards</i>	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	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 in the near term.	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	<i>Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards</i>	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.	1 July 2009
AASB 2008-1	<i>Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations</i>	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	Based on the current share based payment arrangements in place this amendment should have no impact on the Group.	1 July 2009
AASB 3 (Revised)	<i>Business Combinations</i>	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 will apply this standard as necessary.	1 July 2009

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

AASB 127 (Revised)	<i>Consolidated and Separate Financial Statements</i>	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction 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	<i>Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127</i>	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
AASB 2009-2	<i>Amendments to Australian accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]</i>	<p>The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy:</p> <ul style="list-style-type: none"> ▶ quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); ▶ inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and ▶ inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). <p>These amendments arise from the issuance of <i>Improving Disclosures about Financial Instruments (Amendments to IFRS 7)</i> by the IASB in March 2009.</p> <p>The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.</p>	1 January 2009	These amendments will only impact disclosures made by the Group and not the amounts included in the Group's financial statements.	1 July 2009

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

AASB 2009-4	<i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]</i>	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.	1 July 2009	The Group does not expect these amendments will impact the financial statements of the Group.	1 July 2009
AASB 2009-5	<i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]</i>	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.	1 January 2010	The Group does not expect these amendments will impact the financial statements of the Group.	1 January 2010
<i>Amendments to International Financial Reporting Standards</i>	<i>Amendments to IFRS 2</i>	<p>The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular:</p> <ul style="list-style-type: none"> ▶ the scope of AASB 2; and ▶ the interaction between IFRS 2 and other standards. <p>An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.</p> <p>A “group” has the same meaning as in IAS 27 <i>Consolidated and Separate Financial Statements</i>, that is, it includes only a parent and its subsidiaries.</p> <p>The amendments also incorporate guidance previously included in IFRIC 8 <i>Scope of IFRS 2</i> and IFRIC 11 <i>IFRS 2—Group and Treasury Share Transactions</i>. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.</p>	1 January 2010	The Group does not expect these amendments will impact the financial statements of the Group.	1 January 2010

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

Adoption of new accounting standards

The Group has not adopted any new accounting standards in the current reporting period.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of ImpediMed Limited and its subsidiaries as at 30 June 2009 (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)).

(e) Business combinations – refer to Note 29

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.

(f) Segment Reporting – refer to 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 different to those of other operating business segments. Management has assessed the reportable business segments under AASB 114 Segment Reporting. 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.

(g) Foreign currency translation

(i) *Functional and presentation currency*

Both the functional and the presentation currency of the parent is AUD. The United States subsidiaries' functional currency is USD 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.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

(iii) *Translation of Group Companies functional currency to presentation currency*

The results of the United States 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.

(h) Cash and cash equivalents – refer to Note 12

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.

(i) Trade and other receivables – refer to Note 13

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.

(j) 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.

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 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.

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

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

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

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.

(l) Investments and other financial assets – refer to Note 15

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 i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under 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 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 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.

(m) Property, plant and equipment – refer to 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 or diminishing value basis over the estimated useful life of the specific assets as follows:

Plant and equipment	2 - 15 years
Devices under lease or loan	3 years
Leasehold improvements	2 - 5 years

The assets' residual values useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

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.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

(n) 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.

(o) Impairment of non-financial assets other than goodwill – refer to Note 17

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.

The Group 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.

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.

(p) 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. The goodwill of the Group is allocated to the Medical cash generating unit (see Note 17).

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

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

The Group performs its impairment testing as at 30 June each year using a value in use, discounted cash flow methodology. 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.

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:

	<i>Patents and Licences</i>	<i>Development Costs*</i>
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 2009 and 30 June 2008.*

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

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.

(q) Trade and other payables – refer to Note 18

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.

(r) Interest-bearing loans and borrowings – refer to 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. The Group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised.

(s) Provisions and employee benefits – refer to Note 19

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. 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.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

(t) Share-based payment transactions – refer to Note 26

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, further details of which are given in Note 26.

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.

Equity-settled awards granted by the Parent 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.

(u) Contributed equity – Refer to Note 21

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.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

(v) Revenue recognition – Refer to Note 6

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.

(w) 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.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

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:

- 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.

(x) 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. 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.

(y) Earnings per share – refer to 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.

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FOR THE YEAR ENDED 30 JUNE 2009

(z) Comparatives

Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures.

3 Financial risk management objectives and policies

(a) Financial risk management

The Group's principal financial instruments comprise receivables, payables, bank loans, 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 which are recognised 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 and US Variable interest rate risk that are not effectively hedged:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	6,633,641	8,454,469	6,257,665	8,048,467
Restricted cash	124,482	30,700	31,129	30,700
	6,758,123	8,485,169	6,288,794	8,079,167
Financial Liabilities				
Bank loans	-	64,024	-	64,024
	-	64,024	-	64,024
Net exposure	6,758,123	8,421,145	6,288,794	8,015,143

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 2009, had the interest rate 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:

	Post Tax Loss (Higher)/Lower		Equity Higher/(Lower)	
	2009	2008	2009	2008
	\$	\$	\$	\$
Consolidated				
+1.0% (100 basis points)	67,581	84,211	-	-
-0.5% (50 basis points)	(33,791)	(42,106)	-	-
Parent				
+1.0% (100 basis points)	62,888	80,151	-	-
-0.5% (50 basis points)	(31,444)	(40,076)	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on the Group's current credit rating and mix of debt in Australia and the US, relationships with financial institutions and economic forecaster's expectations.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

(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 USD/AUD 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 2009, the Group had the following exposure to foreign currency:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	4,859,030	327,945	4,483,054	-
Restricted cash	93,353	-	-	-
Trade and other receivables (USD)	355,425	391,995	1,864	21,065
Trade and other receivables (EU)	91,145	374,492	91,145	374,492
Other financial assets	27,339	19,047	-	-
	5,426,292	1,113,479	4,576,063	395,557
Financial Liabilities				
Trade and other payables	998,694	383,270	481,685	38,232
	998,694	383,270	481,685	38,232
Net exposure	4,427,598	730,209	4,094,378	357,325

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 2009, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax loss would have been affected as follows:

	Post Tax Loss (Higher)/Lower	
	2009	2008
	\$	\$
Consolidated		
AUD/USD +10%	409,438	73,021
AUD/USD -5%	(204,719)	(36,510)
Parent		
AUD/USD +10%	409,438	35,733
AUD/USD -5%	(204,719)	(17,866)

The movements in profit for the current reporting period are more sensitive than those in the prior reporting period mainly due to a higher level of USD cash and cash equivalents and USD trade and other payables.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonable possible movements in foreign exchange rates were determined based on a review of the last two years historical movements and economic forecaster's expectations.
- The reasonably possible movement of 10% was calculated by taking the USD spot rate at balance date, moving this spot rate by 10% and then re-converting the USD into AUD with the "new spot-rate".
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

Sensitivities were only calculated in instances where the functional currency is not the USD.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

(iii) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets. 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.

(iv) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2009. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2009.

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. Trade payables, and other financial liabilities mainly originate from the financing of assets used in 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, the Group 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 2009	≤ 6 months \$	6-12 months \$	1-5 years \$	Total \$
Consolidated				
<i>Financial Assets</i>				
Cash and cash equivalents (i)	6,633,641	-	-	6,633,641
Restricted cash	-	-	124,482	124,482
Trade and other receivables	744,238	-	-	744,238
Other financial assets	-	-	27,339	27,339
	<u>7,377,879</u>	<u>-</u>	<u>151,821</u>	<u>7,529,700</u>
Consolidated				
<i>Financial Liabilities</i>				
Trade and other payables	1,638,858	-	-	1,638,858
	<u>1,638,858</u>	<u>-</u>	<u>-</u>	<u>1,638,858</u>
Net maturity	<u>5,739,021</u>	<u>-</u>	<u>151,821</u>	<u>5,890,842</u>
Year ended 30 June 2009	≤ 6 months \$	6-12 months \$	1-5 years \$	Total \$
Parent				
<i>Financial Assets</i>				
Cash and cash equivalents (i)	6,257,665	-	-	6,257,665
Restricted cash	-	-	31,129	31,129
Trade and other receivables	390,676	131,696	-	522,372
	<u>6,648,341</u>	<u>131,696</u>	<u>31,129</u>	<u>6,811,166</u>
Parent				
<i>Financial Liabilities</i>				
Trade and other payables	1,121,849	-	-	1,121,849
	<u>1,121,849</u>	<u>-</u>	<u>-</u>	<u>1,121,849</u>
Net maturity	<u>5,526,492</u>	<u>131,696</u>	<u>31,129</u>	<u>5,689,317</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

Year ended 30 June 2008	≤ 6 months \$	6-12 months \$	1-5 years \$	Total \$
Consolidated				
<i>Financial Assets</i>				
Cash and cash equivalents (i)	8,454,469	-	-	8,454,469
Restricted cash	-	-	30,700	30,700
Trade and other receivables	840,694	25,093	-	865,787
Other financial assets	-	-	41,597	41,597
	9,295,163	25,093	72,297	9,392,553
Consolidated				
<i>Financial Liabilities</i>				
Trade and other payables	1,087,475	225,937	-	1,313,413
Interest bearing loans and borrowings	-	64,024	-	64,024
	1,087,475	289,961	-	1,377,436
Net maturity	8,207,688	(264,868)	72,297	8,015,117

Year ended 30 June 2008	≤ 6 months \$	6-12 months \$	1-5 years \$	Total \$
Parent				
<i>Financial Assets</i>				
Cash and cash equivalents (i)	8,048,467	-	-	8,048,467
Restricted cash	-	-	30,700	30,700
Trade and other receivables	501,248	-	-	501,248
Other financial assets	-	-	22,550	22,550
	8,549,715	-	53,250	8,602,965
Parent				
<i>Financial Liabilities</i>				
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	7,743,477	(159,037)	53,250	7,637,690

(i) Cash is available for use in the next six month period but could be conserved and used on a longer period should a further capital raising not take place within this period.

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	
	2009 \$	2008 \$	2009 \$	2008 \$
Consolidated				
<i>Financial assets</i>				
Cash and cash equivalents	6,633,641	8,454,469	6,633,641	8,454,469
Restricted cash	124,482	30,700	124,482	30,700
Trade and other receivables	744,238	865,787	744,238	865,787
Other financial assets	27,339	41,597	27,324	41,597
	7,529,700	9,392,553	7,529,685	9,392,553
<i>Financial liabilities</i>				
Trade and other payables	1,638,858	1,313,413	1,638,858	1,313,412
Borrowings	-	64,024	-	64,024
	1,638,858	1,377,437	1,638,858	1,377,436

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

Parent

Financial assets

Cash and cash equivalents	6,257,665	8,048,467	6,257,665	8,048,467
Restricted cash	31,129	30,700	31,129	30,700
Trade and other receivables	522,372	501,248	522,372	501,248
Other financial assets	-	22,550	-	22,550
	6,811,166	8,602,965	6,811,166	8,602,965

Financial liabilities

Trade and other payables	1,121,849	901,251	1,121,849	901,251
Fixed rate borrowings	-	64,024	-	64,024
	1,121,849	965,275	1,121,849	965,275

Fair values have been determined as follows:

<i>Cash and cash equivalents</i>	The carrying amount approximates fair value because of the short-term maturity and because the interest rates applied are variable interest rates.
<i>Restricted cash</i>	The carrying amount approximates fair value because the interest rates applied are variable interest rates.
<i>Trade receivables and payables</i>	The carrying amount approximates fair value because of the short-term maturity.
<i>Other financial assets</i>	By reference to the current market value of another instrument which is substantially the same or is calculated based on expected cash flows of the underlying net asset base of the financial asset.
<i>Short-term borrowings</i>	The carrying amount approximates fair value because of the short-term maturity.

5 Segment Reporting

(a) Business segments

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 arms 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.

	Medical \$	Test & Measurement \$	Total \$
Year ended 30 June 2009			
Revenue			
Device Sales to external customers	1,376,628	1,099,159	2,475,787
Device Leases to external customers	215,350	16,931	232,281
Consumable Sales to external customers	177,976	37,077	215,053
Other revenue	27,291	41,541	68,832
Inter-segment Device Sales	369,311	-	369,311
Other Inter-segment Sales	127,713	-	127,713
Total segment revenue	2,294,269	1,194,708	3,488,977
Inter-segment elimination			(497,024)
Unallocated revenue			279,185
Total consolidated revenue			3,271,138

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

Result

Segment results	(13,026,660)	(387,341)	(13,414,001)
Depreciation expenses	(756,084)	(15,671)	(771,755)
Profit/(loss) before tax and finance costs			(14,185,756)
Finance costs			(5,944)
Eliminations			164,045
Profit/(loss) before income tax			(14,027,655)
Income tax expense			-
Net profit/(loss) for the year			(14,027,655)

Assets and liabilities

Segment assets	12,757,938	804,510	13,562,448
Eliminations			(464,472)
Total assets			13,097,976
Segment liabilities	3,543,056	2,386,002	5,929,058
Eliminations			(2,898,186)
Total liabilities			3,030,872

Other segment information

Capital Expenditure	759,174	6,232	765,406
Depreciation and amortisation	756,084	15,671	771,755
Provision for inventory write off	28,599	171,563	200,162
Share based payment expenses	515,715	18,620	534,335
Other non-cash expenses	140,172	-	140,172

Cash flow information

Net cash flow from operating activities	(11,801,211)	15,012	(11,786,199)
Net cash flow from investing activities	(755,406)	-	(755,406)
Net cash flow from financing activities	10,633,432	-	10,633,432

	Medical \$	Test & Measurement \$	Total \$
Year ended 30 June 2008			
Revenue			
Device Sales to external customers	1,071,146	937,698	2,008,844
Device Leases to external customers	74,481	-	74,481
Consumable Sales to external customers	69,717	60,060	129,777
Other revenue	15,974	112,406	128,380
Inter-segment Device Sales	168,024	-	168,024
Other Inter-segment Sales	49,239	-	49,239
Total segment revenue	1,448,581	1,110,164	2,558,745
Inter-segment elimination			(217,263)
Unallocated revenue			652,803
Total consolidated revenue			2,994,285

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

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
Share based payment expenses	346,492	869	347,361
Other non-cash expenses	1,681,893	-	1,681,893

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

(b) Geographical segments

The following tables present revenue and profit/(loss) information and certain asset and liability information regarding geographical segments for the years ended 30 June 2009 and 30 June 2008.

Australia

Australia is the corporate home office of the Group and the domicile 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 2009

	Australia \$	United States \$	Total \$
Year ended 30 June 2009			
Revenue			
Device Sales to external customers	650,327	1,825,460	2,475,787
Impact Leases to external customers	56,507	175,774	232,281
Inter-segment revenue	475,440	21,584	497,024
Consumable Sales to external customers	111,997	103,056	215,053
Other revenue	16,458	52,374	68,832
External revenue	1,310,729	2,178,248	3,488,977
Unallocated revenue			279,185
Inter-segment elimination			(497,024)
Segment revenue			3,271,138
Other segment information			
Segment assets	7,450,792	6,111,836	13,562,628
Eliminations			(464,652)
Total assets			13,097,976
Capital expenditure	160,198	605,208	765,406
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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

6 Revenue

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Sale of goods				
Device sales	2,475,787	2,008,844	1,011,542	807,462
Consumable sales	215,053	129,777	121,751	43,202
Device operating leases	232,281	74,481	133,059	57,083
	2,923,121	2,213,102	1,266,352	907,747
Rendering of services				
Service revenue	114,147	98,297	9,575	12,515
Freight and discounts	(45,315)	30,083	5,473	(2,190)
	68,832	128,380	15,048	10,325
Interest revenue				
Interest income – bank deposits	50,200	210,498	50,129	210,433
Interest income – term deposits	228,854	433,301	228,743	433,301
Interest income – debentures	-	9,004	-	9,004
Other	131	-	131	-
	279,185	652,803	279,003	652,738
Total revenue from sale of goods and services and interest	3,271,138	2,994,285	1,560,403	1,570,810

7 Other Income

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Service income from ICS (i)	47,653	33,989	-	33,989
Government grants – commercial ready grant (ii)	274,809	1,075,787	274,808	1,075,787
Other (iii)	83,186	42,254	-	(1,086)
	405,648	1,152,030	274,808	1,108,690

(i) The Group charges ICS for R&D and other services provided to Impedance Cardiology Systems Inc (ICS).

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

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

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

(iii) Other income mainly consists of royalty income.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

8 Expenses

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
(a) Interest expense – converting notes				
Non-cash expense for bonus notes issuable on series 3 notes	-	447,924	-	447,924
Amortisation of issue costs for series 3 notes	-	11,537	-	11,537
	-	459,461	-	459,461
(b) Interest expense – preference shares				
Non-cash expense for issue of bonus preference A1 shares	-	682,320	-	682,320
Non-cash expense for issue of bonus preference A2 shares	-	503,969	-	503,969
Amortisation of issue costs for preference shares	-	36,143	-	36,143
	-	1,222,432	-	1,222,432
(c) Other finance costs				
Bank loans and overdrafts	-	5,014	-	-
Other loans	3,338	13,697	3,338	13,697
Interest expense on leasehold improvement	1,478	-	320	-
Other finance charges	1,128	(11,928)	3	(12,150)
	5,944	6,783	3,661	1,547
(d) Depreciation and amortisation included in income statement				
Depreciation of property, plant and equipment	132,012	90,502	64,849	55,818
Depreciation of demo and loan devices	52,296	-	5,757	-
Amortisation of leasehold improvements	28,617	3,930	22,381	3,390
Amortisation of patents and licenses	326,822	218,110	55,000	55,000
Amortisation of software	201,598	32,347	13,041	30,702
	741,345	344,889	161,028	144,910
Depreciation of operating lease devices (i)	30,410	10,156	30,410	10,156
	771,755	355,045	191,438	155,066
(e) Employee benefits expense				
Wages and salaries	3,770,921	2,507,244	1,125,492	1,407,928
Superannuation expense	198,914	211,230	146,439	190,820
Annual leave & long service leave expense	251,832	201,379	174,794	129,784
Share-based payments expense	471,240	318,983	216,716	263,056
Motor vehicle novated lease payments	216,815	188,600	162,910	188,600
Payroll tax expenses	257,422	136,978	47,406	98,717
Performance & sales bonus	382,693	488,590	192,511	249,112
Other employee benefits expense	27,680	81,980	18,485	-
	5,577,517	4,134,984	2,084,753	2,528,017

(i) This depreciation relates to devices on operating lease and has been included in cost of goods sold.

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FOR THE YEAR ENDED 30 JUNE 2009

(f) Consultants fees

Consultancy expense	1,562,819	1,157,955	894,871	590,778
Share-based payments expense	70,187	21,049	33,287	20,834
	1,633,006	1,179,004	928,158	611,612

(g) Other expenses

Trademark and patent expense	325,539	341,945	307,308	341,945
Communication expense	224,066	151,330	89,017	112,319
Legal expense	182,906	127,978	143,072	115,936
Audit fees	206,407	148,239	206,407	148,239
IT maintenance and hosting fees	268,148	75,450	15,913	28,909
Bad and doubtful debt expenses	49,656	255,914	38,200	230,841
Directors fees	338,850	338,850	338,850	338,850
Recruitment expenses	166,684	60,349	37,310	2,037
Insurance expense	134,778	148,445	134,778	142,788
Net loss on disposal of plant and equipment	41,442	-	12,702	-
Net loss on foreign exchange	342,848	61,353	577,912	496,654
Share-based payment expense – EDN*	(7,092)	7,092	(7,092)	7,092
Inventory write down	156,976	-	-	-
Other expenses	889,641	702,567	276,421	373,806
	3,320,849	2,419,512	2,170,798	2,339,416

* European diagnostic Network (EDN)

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

9 Income tax

(a) Income tax expense

	Consolidated		Parent	
The major components of income tax are:	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Current income tax</i>				
Current income tax benefit	-	-	-	-
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	-	-	-	-
Income tax benefit reported in the Income Statement	-	-	-	-

(b) Income statement disclosure

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
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	(14,027,655)	(9,754,128)	(13,392,077)	(11,953,558)
Accounting loss before income tax	(14,027,655)	(9,754,128)	(13,392,077)	(11,953,558)
Prima facie tax on profit/(loss)	(4,208,297)	(2,926,238)	(4,017,623)	(3,586,067)
Expenditure not allowable for income tax purposes	871,760	904,514	2,532,879	2,195,649
Other assessable income	18,015	2,683	18,015	2,683
Non assessable income	(2,588)	(51,399)	(2,588)	(51,399)
Other deductible expenses	(538,585)	(433,294)	(502,969)	(242,890)
Additional deduction for Research & Development	(19,760)	(30,679)	(19,760)	(30,679)
Foreign tax rate adjustment	(734,459)	(78,247)	-	-
Tax losses utilised				
Tax losses not recognised	4,613,914	2,612,660	1,992,046	1,712,703
Income tax reported in the income statement	-	-	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

(c) Deferred tax disclosures

Deferred income tax at 30 June relates to the following:

	Balance Sheet	
	2009	2008
	\$	\$
Consolidated		
Deferred tax assets		
Doubtful debts	23,206	73,591
Employee Entitlements	341,237	179,170
s40-880 costs	681,926	793,846
Inventory and other provisions	180,563	-
Patent Costs	279,475	211,213
Sundry creditors and accruals	61,557	248,464
Losses available for offset against future taxable income	11,028,832	6,090,045
Deferred tax liabilities		
Income not derived for tax purposes	(2,588)	(51,399)
	12,594,208	7,544,930
Deferred tax assets not recognizable	(12,594,208)	(7,544,930)
Net deferred tax balance per accounts	-	-

	Balance Sheet	
	2009	2008
	\$	\$
PARENT		
Deferred tax assets		
Doubtful debts	22,327	71,547
Employee Entitlements	173,152	87,605
s40-880 costs	681,926	793,846
Deferred rent	184,170	-
Patent Costs	26,400	146,296
Sundry creditors and accruals	4,042,011	189,373
Impairment of intercompany loans	7,184,764	1,778,669
Losses available for offset against future taxable income	16,319	5,190,087
Deferred tax liabilities		
Income not derived for tax purposes	(2,588)	(51,399)
Net deferred tax asset	12,328,481	8,206,024
Deferred tax assets not recognizable	(12,328,481)	(8,206,024)
Net deferred tax balance per accounts	-	-

(d) Tax losses

The Group has tax losses in Australia of \$23,949,212 (2008: \$17,300,290) 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. No deferred tax asset has been recorded in relation to these tax losses.

The Group has US federal and state net operating loss carry forwards of approximately \$9,658,468 which expire in 2028.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

10 Dividends paid and proposed

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

11 Earnings per share

Basic earnings per share (EPS) 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.

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 earnings per share:

	Consolidated	
	2009	2008
	\$	\$
Net loss used in calculating basic and diluted earnings per share	(14,027,655)	(9,754,128)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	88,723,183	65,288,401
Basic and diluted earnings per share	(0.16)	(0.15)

Subsequent to the close of the current reporting year:

- ImpediMed Limited issued 10,889,278 ordinary shares as a result of an entitlement offer,
- the Board has resolved to issue 111,249 ordinary shares under the employee performance share plan, and
- the Board has resolved to issue 21,000 ordinary shares to a consultant under the US Equity Incentive Plan.

Refer to Note 30 for additional information, including options offered under existing option plans subsequent to year end.

There have been no other transactions, apart from the ones mentioned above, 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.

Diluted EPS is equal to basic because the Group is making losses.

12 Cash and cash equivalents

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash at bank and in hand	6,633,641	413,899	6,257,665	85,954
Short term deposits	-	8,040,570	-	7,962,513
Cash and cash equivalents	6,633,641	8,454,469	6,257,665	8,048,467
Short-term deposits – restricted (non-current)	124,482	30,700	31,129	30,700

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

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

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Net loss after tax	(14,027,655)	(9,754,128)	(13,392,077)	(11,953,558)
<i>Adjustments for:</i>				
Depreciation and amortisation expense	771,755	355,045	191,438	155,066
Loss on disposal of plant and equipment	41,442	-	12,702	-
Doubtful debt expense	49,656	255,914	38,200	230,841
Interest expense converting notes	-	459,461	-	459,461
Interest expense preference shares	-	1,222,432	-	1,222,432
Share-based payment expense	534,335	347,361	242,911	290,298
Impairment of debenture	-	71,000	-	71,000
Inventory write down	200,162	-	-	-
Unrealised foreign currency loss	49,075	61,353	283,502	(140,803)
Intercompany transactions	-	-	6,737,156	4,408,341
<i>Changes in assets and liabilities:</i>				
(Increase)/decrease in inventories	(56,219)	(748,370)	172,857	(248,325)
(Increase)/decrease in receivables	123,558	(360,081)	(57,853)	(41,300)
(Increase)/decrease in prepayments	21,919	(102,418)	(3,748)	(53,404)
(Decrease)/increase in payables	168,491	322,919	196,577	(53,069)
(Decrease)/increase in provisions	337,282	453,131	268,791	156,100
Net cash from operating activities	(11,786,199)	(7,416,381)	(5,309,544)	(5,496,920)

13 Trade and other receivables

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade receivables	679,436	914,196	355,470	543,666
Intercompany receivable	-	-	131,696	-
Allowance for impairment loss (a)	(3,770)	(244,840)	(1,560)	(238,849)
Interest receivables	8,626	60,049	8,626	60,049
Grant receivables	-	111,281	-	111,281
Tax and other receivables	59,946	25,101	28,140	25,101
	744,238	865,787	522,372	501,248

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

(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.

Movements in the provision for impairment loss were as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
At 1 July	244,840	8,283	238,849	8,283
Charge for the year	16,375	294,049	1,560	294,049
Foreign exchange translation	(399)	(2,292)	-	(2,292)
Amounts reversed	(232,770)	(55,200)	(230,566)	(61,191)
Amounts written off	(24,276)	-	(8,283)	-
At 30 June	3,770	244,840	1,560	238,849

The remaining receivables past due but not considered impaired are considered immaterial by management.

14 Inventories

	Consolidated		Parent	
	2009	2008	2009	2008
	AU \$	AU \$	AU \$	AU \$
Work-in-progress / Raw Materials (at cost)	372,093	203,414	-	-
Inventory held by Contract Manufacturer AU (at cost)	2,430	175,021	2,430	175,021
Inventory held by Contract Manufacturer US (at cost)	57,522	19,941	-	-
Finished Goods - Devices (at cost)	324,003	173,322	247,854	84,550
Finished Goods – Components (at cost)	393,704	688,747	77,937	390,459
Provision for obsolete inventory (i)	(200,162)	(23,454)	(22,666)	-
Total inventories at the lower of cost and net realisable value	949,590	1,236,991	305,555	650,030

(i) The Group took up a provision for slow moving inventory in Xitron Technologies Inc. Due to the nature of many of the Test & Measurement division products, there are both custom and catalogue components of the product Bills of Materials that need to be purchased in minimum lot sizes that may be held in component inventory for extended periods of time. While the parts are still currently used, the Group has taken a conservative approach and provided heavily against the parts with an obsolescence provision. The catalogue components do typically have some value on the electronics parts clearance markets, and it is possible that the Group may liquidate some of the slow moving excess in the test and measurement division inventory.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

15 Other financial assets

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Debenture at cost (i)	71,000	71,000	71,000	71,000
Provision for loss on debenture (i)	(71,000)	(71,000)	(71,000)	(71,000)
Deposits - premise leases (ii)	22,008	41,597	-	22,550
Deposits - other	5,331	-	-	-
Intercompany loan account (iii)	-	-	13,257,431	5,928,498
Less: Provision for intercompany loan	-	-	(13,257,431)	(5,928,498)
Carrying amount of non-current assets	27,339	41,597	-	22,550

(i) The organisation for which the debenture is held has 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 organisation is unknown, the Group will hold a provision in full for the amount of the debenture.

(ii) The deposits on the premise leases are held until conclusion of the lease.

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

(a) Fair values

Details regarding fair values are disclosed in Note 4.

(b) Interest rate risk

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

(c) 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.

(d) Provision for intercompany loan

Movements in the provision for intercompany loan were as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
At 1 July	-	-	5,928,498	1,520,157
Charge for the year	-	-	6,737,156	4,408,341
Foreign exchange translation	-	-	591,777	-
At 30 June	-	-	13,257,431	5,928,498

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

16 Property, plant and equipment

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

	Consolidated				
	Leased, Demo & Loan Devices	Leasehold Improvements	Plant & Machinery	Computer Equipment	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2009					
At 1 July 2008 net of accumulated depreciation	39,918	13,501	258,016	84,537	395,972
Additions	-	73,755	86,859	54,899	215,513
Disposals	(22,650)	(2,529)	(22,425)	(6,709)	(54,313)
Transfers from inventory	303,185	-	-	-	303,185
Other transfers	72,828	46,997	(121,432)	1,607	-
Depreciation charge for the year	(82,706)	(28,617)	(75,317)	(56,695)	(243,335)
Effect of foreign exchange	4,576	7,758	29,112	6,638	48,084
At 30 June 2009 net of accumulated depreciation	315,151	110,865	154,813	84,277	665,106

At 30 June 2009

Cost or fair value	453,191	154,452	233,140	232,378	1,073,161
Accumulated depreciation	(138,040)	(43,587)	(78,327)	(148,101)	(408,055)
Net carrying amount	315,151	110,865	154,813	84,277	665,106

	Parent				
	Leased, Demo & Loan Devices	Leasehold Improvements	Plant & Machinery	Computer Equipment	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2009					
At 1 July 2008 net of accumulated depreciation	39,918	-	75,596	58,254	173,768
Additions	-	73,755	70,090	16,353	160,198
Disposals	(5,961)	-	(12,269)	(5,230)	(23,460)
Transfers from inventory	160,850	-	-	-	160,850
Other transfers	8,317	19,411	(27,728)	-	-
Depreciation charge for the year	(36,167)	(22,381)	(35,230)	(29,619)	(123,397)
At 30 June 2009 net of accumulated depreciation	166,957	70,785	70,459	39,758	347,959

At 30 June 2009

Cost or fair value	258,304	102,421	111,516	154,597	626,838
Accumulated depreciation	(91,347)	(31,636)	(41,057)	(114,839)	(278,879)
Net carrying amount	166,957	70,785	70,459	39,758	347,959

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated				
	Leased, Demo & Loan 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	-	14,041	179,309	50,436	243,786
Transfers from inventory	43,565	-	-	-	43,565
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	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				
	Leased, Demo & Loan 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	-	-	24,444	25,598	50,042
Transfers from inventory	43,565	-	-	-	43,565
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	(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 2009

(b) Operating lease commitments receivable for impact devices – Group as lessor

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Within one year				
(i) U400 Devices	570,733	-	6,000	-
(ii) SFB7 Devices	7,456	20,477	-	6,000
(iii) DF50 Devices	91,277	65,370	45,649	27,180
(iv) XCA Devices	29,894	48,535	6,036	2,940
	699,360	134,382	57,685	36,120
After one year but not more than five years				
(i) U400 Devices	1,253,179	-	8,500	-
(ii) SFB7 Devices	-	15,739	-	8,500
(iii) DF50 Devices	43,296	89,060	35,691	44,505
(iv) XCA Devices	22,685	90,075	6,184	5,145
	1,319,160	194,874	50,375	58,150
	2,018,520	329,256	108,060	94,270

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

17 Intangible assets and goodwill

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

	Consolidated			Total
	Software	Patents and Licences	Goodwill	
	\$	\$	\$	\$
Year ended 30 June 2009				
At 1 July 2008 net of accumulated amortisation and impairment	321,018	965,028	2,040,175	3,326,221
Additions	515,735	-	-	515,735
Disposals	(1,601)	-	-	(1,601)
Amortisation	(201,598)	(326,822)	-	(528,420)
Effect of foreign exchange	82,458	195,471	212,061	489,990
At 30 June 2009 net of accumulated amortisation and impairment	716,012	833,677	2,252,236	3,801,925
At 30 June 2009				
Cost (gross carrying amount)	1,097,242	1,767,591	2,252,236	5,117,069
Accumulated amortisation and impairment	(381,230)	(933,914)	-	(1,315,144)
Net carrying amount	716,012	833,677	2,252,236	3,801,925

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

	Parent			
	Software	Patents and Licences	Goodwill	Total
	\$	\$	\$	\$
Year ended 30 June 2009				
At 1 July 2008 net of accumulated amortisation and impairment	21,490	80,993	-	102,483
Additions	-	-	-	-
Disposals	(273)	-	-	(273)
Amortisation	(13,041)	(55,000)	-	(68,041)
At 30 June 2009 net of accumulated amortisation and impairment	8,176	25,993	-	34,169
At 30 June 2009				
Cost (gross carrying amount)	225,395	525,000	-	750,395
Accumulated amortisation and impairment	(217,219)	(499,007)	-	(716,226)
Net carrying amount	8,176	25,993	-	34,169

	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	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

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FOR THE YEAR ENDED 30 JUNE 2009

	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

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

Software

The Group's software intangible includes employee personal productivity PC software tools, and the Group's investment in its Enterprise Resource Planning (ERP) system and Customer Relationship Management (CRM) system. During the reporting period the Group implemented new ERP and CRM systems. The Group's investment in its previous SAP ERP system was fully amortised. The Group did not previously have a CRM system.

Patents and licences

The Group holds two licences (Uniquet and SEAC) and a patent. The patent was acquired through the Xitron Technologies, Inc business combination in October 2007. 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 2009.

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 Group's cash generating units (CGUs)

For the purposes of impairment testing, the Group has allocated the goodwill to the Medical CGU which comprises the business supplying bioimpedance and bioimpedance spectroscopy devices for use by clinicians, and allied health professionals. The key focus of the Medical CGU is devices for the clinical assessment of lymphoedema in cancer survivors, though it also takes in devices used in body composition, and other areas of fluid status measurement. The Medical CGU is the core business of the Group and the part of the business forecasting substantial growth.

(ii) Relationship of the intangible assets with the CGUs

The only intangible asset in the Group with an indefinite useful life is goodwill.

The goodwill has been allocated to the Medical CGU and arose on the acquisition of Xitron in the prior year. The goodwill is lined to the objectives of the acquisition which were to eliminate the risk of frivolous legal action for infringement of Xitron's patent, and secondly to establish a base in the US for the Medical CGU to service and support the Group's medical business there.

Therefore in undertaking impairment testing, it is the Medical CGU which has been assessed.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

(iii) Details of Impairment testing

Impairment testing has been performed by calculating the value in use of the CGU. This has been prepared using a discounted cashflow forecast for the CGU for seven years and analysed to the present value (PV) of cashflows noting no impairment is required.

A seven year forecast has been used because the Medical CGU is creating new markets, and working through commercialisation milestones in the near term and therefore a seven year forecast is appropriate to reflect the value of the Medical CGU.

The calculation of a value in use for the Medical CGU is most sensitive to:

- 1) increased revenue arising from the following factors / considerations:
 - Product acceptance and rate of adoption (by clinicians) particularly in the US;
 - Progress in having a category one reimbursement code approved in the US, and the payment level set;
 - Progress in having health care payer coverage of reimbursement codes in the US;
 - The continuation of an environment where there are no cleared competitive products in the US lymphoedema clinical assessment market;
 - The market launch of the L-Dex UB500 that addresses bilateral leg lymphoedema in pelvic region cancer patients;
- 2) ability to sell products at amounts in excess of both cost of sales and general operating costs; and
- 3) the ability of the Group to have cash funding sufficient to execute the current business plan.

All assumptions used in the calculation are based on budgets and forecasts and consider the size of markets available to the Group.

In calculating the value in use a discount rate of 20% has been used.

18 Trade and other payables

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade payables	961,818	723,126	787,837	378,088
Employment and sales tax payables	50,378	152,201	46,377	152,053
Other accruals and payables	626,662	373,832	287,635	291,525
Related party payables	-	64,254	-	79,585
Carrying amount of trade and other payables	1,638,858	1,313,413	1,121,849	901,251

(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 23.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

19 Provisions

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Current				
Employee benefits	933,967	472,305	511,643	256,594
Warranty provision	22,491	19,272	22,240	19,062
	956,458	491,577	533,883	275,656
Non-current				
Deferred rent liability	72,819	36,082	2,081	5,138
Employee benefits	56,060	35,424	56,060	35,424
Office lease - make good provision	22,487	14,263	7,411	-
Provision for royalty	149,111	124,805	-	-
Retention for consideration (Xitron acquisition)	135,079	135,079	135,079	135,079
	435,556	345,653	200,631	175,641

(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 \$	Royalty Provision \$	Retention from consideration \$	Total \$
Consolidated						
At 1 July 2008	19,272	36,082	14,263	124,805	135,079	329,501
Arising during the year	5,944	35,866	8,581	-	-	50,391
Utilised	(2,765)	(5,504)	-	-	-	(8,269)
Unused amounts reversed	-	(5,138)	(3,701)	-	-	(8,839)
Exchange differences	40	11,513	3,344	24,306	-	39,203
At 30 June 2009	22,491	72,819	22,487	149,111	135,079	401,987

(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).

(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.

(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.

(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.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

(f) Royalty provision

The provision for royalty was taken up on the acquisition of Xitron Technologies, Inc. The provision is under review, and may be released if possible transactions anticipated at the time of that transaction are not pursued.

(g) Retention from consideration

At the time of the acquisition of Xitron Technologies, Inc a retention was made from the consideration to the vendors to cover anticipated costs of settling a further transaction. At this point the retention is still considered prudent. Should it be released it will be settled in ImpediMed Ordinary shares at the share price used in the acquisition of \$1.30.

20 Interest-bearing loans and borrowing

	Effective Interest rate %	Maturity	Consolidated		Parent	
			2009	2008	2009	2008
			\$	\$	\$	\$
Current						
CSS Loan 1	13.40	Feb-09	-	64,024	-	64,024
			-	64,024	-	64,024

(a) CSS Loan

The CSS loan was secured by a charge over the debentures held by the Group, which were invested with Elderslie Finance, a company associated with CSS, to facilitate security for the loan.

(b) Fair values

Due to the limited remaining time until maturity the Group's current borrowings approximate their fair value.

21 Contributed equity

(a) Ordinary shares

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Ordinary shares fully paid	60,576,011	49,900,827	60,576,011	49,900,827
Ordinary shares under milestone escrow - fully paid	908,464	908,464	908,464	908,464
At 30 June 2009	61,484,475	50,809,291	61,484,475	50,809,291

The Parent 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.

Ordinary shares fully paid include transactions costs of \$535,467 (2008: \$2,137,487) pertaining to the cost of capital raised during the current reporting period.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

	Number	\$
<i>Movement in ordinary shares on issue</i>		
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 1 July 2008	80,240,597	49,900,827
Issued during the period as a result of:		
Issue of ordinary shares	16,284,644	11,210,651
Transactions costs		(535,467)
At 30 June 2009	96,525,241	60,576,011

	Number	\$
Ordinary shares related to milestones under escrow - fully paid		
at 1 July 2007	1,478,260	908,464
Issued during the period	-	-
Ordinary shares released from escrow	-	-
at 30 June 2008	1,478,260	908,464
Issued during the period:		
Ordinary shares released from escrow	-	-
at 30 June 2009	1,478,260	908,464

On the 30th July 2009, subsequent to year end the company released from escrow 1,173,912 of the escrowed shares pursuant to an agreement with the holders of those shares. This leaves 304,348 of those shares subject to milestone release which will be released from escrow on 31st December 2009.

(b) 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 optimising its cost of capital.

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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	
	2009	2008	2009	2008
	\$	\$	\$	\$
Total borrowings*	1,638,858	1,377,437	1,121,849	965,275
Less cash and cash equivalents	(6,633,641)	(8,454,469)	(6,257,665)	(8,048,467)
Net debt	(4,994,783)	(7,077,032)	(5,135,816)	(7,083,192)
Total equity	10,067,104	12,300,369	7,956,408	10,138,966
Total capital	5,072,321	5,223,337	2,820,592	3,055,774

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

22 Reserves

(a) Movements in other reserves

	Consolidated			Total
	Performance share reserve	Share options reserve	Foreign currency translation	
	\$	\$	\$	\$
At 1 July 2008		1,028,628		
	78,652		79,502	1,186,782
Foreign currency translation	-	-	(162,210)	(162,210)
Transfer to balance sheet / income statement	-	-	-	-
Share based payment	62,063	285,298	-	347,361
At 30 June 2008	140,715	1,313,926	(82,708)	1,371,933
Foreign currency translation	-	-	584,871	584,871
Share based payment	135,477	398,858	-	534,335
At 30 June 2009	276,192	1,712,784	502,163	2,491,139

	Parent			Total
	Performance share reserve	Share options reserve	Foreign currency translation	
	\$	\$	\$	\$
At 1 July 2007	78,652	1,028,628	-	1,107,280
Foreign currency translation	-	-	-	-
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
Foreign currency translation	-	-	-	-
Share based payment	135,477	398,858	-	534,335
At 30 June 2009	276,192	1,712,784	-	1,988,976

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 26.

At 30 June 2009 there were 17,513,435 (30 June 2008: 18,300,923) unissued ordinary shares in respect of 4,632,513 (30 June 2008: 5,441,006) unlisted options, 380,922 (30 June 2008: 359,917) performance shares and 12,500,000 (30 June 2008: 12,500,000) 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 Parent's average stock price over the three days prior to the option grant. No options provide dividend or voting rights to the holders.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

(b) Nature and purpose of reserves

Performance share reserve and share options 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 26 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.

23 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		Investment (\$)	
		2009	2008	2009	2008
ImpediMed Inc.	United States	100	100	346,947	62,733
Xitron Technologies Inc.	United States	100	100	1,892,621	1,892,621
				2,239,568	1,955,354

(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 24.

(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	2009 \$	2008 \$
ImpediMed Limited		
Sale of inventory to ImpediMed Inc	475,440	217,263
Payment made on behalf of ImpediMed Inc	16,903	-
Payments made on behalf of Xitron Inc	12,931	-
Loans to ImpediMed Inc	6,971,585	2,675,913
Loans to Xitron Inc	-	1,732,825
ImpediMed Inc		
Sale of inventory to ImpediMed Ltd	19,997	-
Sale of inventory to Xitron technologies Inc	1,954	-
Payments made on behalf of Xitron Technologies Inc	252,585	25,733

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

Terms and conditions of transactions with related parties:

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

Outstanding balances at year end are unsecured and interest free.

For the year ended 30 June 2009, the Group has taken up a provision for the amount of open debt between the parent and any subsidiaries, with the exception of a balance of \$131,696 (2008: Nil) which relates to current receivables.

(e) Transactions with Directors

For the year ended 30 June 2009 no transactions with directors occurred that would be considered related party transactions.

24 Key management personnel

(a) Compensation of key management personnel

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term employee benefits	2,126,289	1,843,107	1,447,655	1,318,207
Post employment benefits	148,777	143,919	125,789	114,545
Share-based payment	274,381	289,280	147,247	229,882
Total compensation	2,549,447	2,276,306	1,720,691	1,662,634

(b)(i) Remuneration Option holdings of key management personnel* (ESOP)

30 June 2009	Balance at 1 July 2008	Granted as remuneration	Net Change other**	Balance at 30 June 2009	Not Yet Vested	Vested & Exercisable
Directors						
M Bridges	-	-	-	-	-	-
G Brown	1,747,673	-	-	1,747,673	333,332	1,414,341
M Kriewaldt	-	-	-	-	-	-
C Hirst	-	-	-	-	-	-
J Hazel	-	-	-	-	-	-
M Panaccio	-	-	-	-	-	-
Executives						
P Auckland	650,000	-	(300,000)	350,000	-	350,000
J Honeycutt	-	300,000	-	300,000	300,000	-
J Butler	550,000	-	(37,500)	512,500	141,667	370,833
B Robinson	240,000	-	(12,000)	228,000	92,000	136,000
D Schlaht	150,000	-	(36,750)	113,250	75,500	37,750
K Fletcher	-	50,000	-	50,000	50,000	-
C Kingsford	75,000	-	(3,750)	71,250	30,833	40,417
Total	3,412,673	350,000	(390,000)	3,372,673	1,023,332	2,349,341

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

30 June 2008	Balance at 1 July 2007	Granted as remuneration	Net Change other**	Balance at 30 June 2008	Not Yet Vested	Vested & 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	150,000	-
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	2,086,666	1,641,007

*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 them at IPO, or purchased them on the market.

**Net Change Other reflects options forfeited either due to performance adjustment calculations, or through leaving the Group and entitlements to exercise within a defined period from final employment date expiring.

(ii) Ordinary shareholdings of key management personnel

30 June 2009	Balance at 1 July 2008	Granted as remuneration	Net Change other*	Balance at 30 June 2009
Directors				
M Bridges	4,662,541	-	56,975	4,719,516
G Brown	4,418,349	-	14,128	4,432,477
M Kriewaldt	180,418	-	4,288	184,706
J Hazel	238,598	-	15,000	253,598
C Hirst	173,770	-	9,450	183,220
M Panaccio (ii)	43,638,915	-	(10,136,064)	33,502,851
Executives				
P Auckland	29,300	-	3,700	33,000
J Honeycutt	-	-	-	-
J Butler	-	-	-	-
B Robinson	206,186	-	-	206,186
D Schlaht	174,382	-	-	174,382
K Fletcher	-	-	-	-
C Kingsford	-	-	-	-
Total	53,722,459	-	(10,032,523)	43,828,936

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

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 (ii)	-	-	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

(i) This table of ordinary shareholdings excludes shares vested and issued under the ImpediMed Performance Share Plan, which are disclosed in the next table and which are in addition to the shares in this table.

(ii) The shareholding shown against M Panaccio include deemed interests as a result of Dr Panaccio being a substantial shareholder who holds greater than 20% of the Parent, and by virtue of being a director may be able to influence escrowed shareholding controlled by the Parent, which ordinarily would not be associated with Dr Panaccio in any way. The reduction of the balance in the reporting period is as a result of certain of those escrowed shares belonging to independent parties coming out of escrow during the year, and thus out of his deemed control. At 30th June 2009 the shares directly controlled by Dr Panaccio or entities he is associated with were 24,514,465, while the shares deemed to be within his control were 8,988,386.

*Net Change Other reflects sales, purchases, or transfers of ownership of shares.

(iii) Performance shareholdings of key management personnel

30 June 2009	Balance at 1 July 2008	Granted as remuneration	Net Change Other*	Balance at 30 June 2009	Vested	Forfeited
Directors						
M Bridges	-	-	-	-	-	-
G Brown	-	-	-	-	-	-
M Kriewaldt	-	-	-	-	-	-
C Hirst	-	-	-	-	-	-
J Hazel	-	-	-	-	-	-
M Panaccio	-	-	-	-	-	-
Executives						
P Auckland	100,000	-	-	100,000	66,666	-
J Honeycutt	-	-	-	-	-	-
J Butler	74,000	-	-	74,000	49,334	-
B Robinson	50,000	-	-	50,000	33,334	-
D Schlaht	-	-	-	-	-	-
K Fletcher	-	-	-	-	-	-
C Kingsford	10,000	-	-	10,000	6,666	-
Total	234,000	-	-	234,000	156,000	-

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FOR THE YEAR ENDED 30 JUNE 2009

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	-	(26,000)	74,000	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	-	(26,000)	264,000	88,001	8,666

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 Group to all individuals under the plan.

*Net Change Other reflects options forfeited either due to performance adjustment calculations, or through leaving the Group and entitlements to exercise within a defined period from final employment date expiring.

(iv) Converting Notes holdings of key management personnel

There were no converting notes for as at 30 June 2009.

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)	-

*Net Change Other reflects notes forfeited either due to performance adjustment calculations, or through leaving the Group and entitlements to exercise within a defined period from final employment date expiring.

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FOR THE YEAR ENDED 30 JUNE 2009

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

30 June 2009	Balance at 1 July 2008	Granted as remuneration	Net Change other*	Balance at 30 June 2009
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 Honeycutt	-	-	-	-
J Butler	-	-	-	-
B Robinson	-	-	-	-
D Schlaht	-	-	-	-
K Fletcher	-	-	-	-
S Chetham	-	-	-	-
Total	2,992,700	-	-	2,992,700

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

*Net Change Other reflects options issued in the period.

Refer to Note 30 for options offered subsequent to year end.

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25 Auditor's remuneration

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Amounts received or due and receivable				
By Ernst & Young Australia for:				
audit of financial report of the entity	202,442	148,239	202,442	148,239
other services to the entity	-	107,635	-	107,635
By other auditors for:				
other services to the entity	3,965	-	3,965	-
	206,407	255,874	206,407	255,874

26 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	
	2009	2008	2009	2008
	\$	\$	\$	\$
Expense arising from equity-settled share-based payment transactions	534,335	347,361	242,911	290,298
Total expense arising from share-based payment transactions	534,335	347,361	242,911	290,298

(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 Group.

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, vary the period during which they allow a participant that has ceased to be eligible to 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.

Notes to the Financial Statements

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All share options issued in 2009 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.

For the options issued in 2008 and 2009, vesting is impacted by the performance percentage achieved against KPIs by the employee during the calendar year in which the options or shares were granted. The performance percentage achieved during the calendar year in which the options or shares were granted is multiplied by the number of options or shares granted to give a performance adjusted entitlement (PAE) that vests 1/3 at the end of the performance year in question, 1/3 the following year, and 1/3 the second year following the performance year subject to certain other vesting conditions.

2. Chief Executive Option Plan

Options issued to the Chief Executive are issued outside the ESOP as his shareholdings exceed 5% of the Group, and the plan excludes the participation of shareholders with a holding of greater than 5% of the Group. Options issued to the Chief Executive Officer have been issued outside the formal option plan as at the time of previous option issues he held greater than 5% of the shares in the Parent, and the plan excludes the participation of shareholders with a holding of greater than 5% of the Parent. The primary effect of the exclusion is the loss of the ability to defer tax on the receipt of the option. Notwithstanding the exclusion from the plan the options were issued subject to the same terms and conditions as if they were part of the option plan.

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 were issued at the discretion of the Board of Directors and are issued for nil consideration.

Performance shares granted in 2007 vest in three tranches at 31 December 2007, 2008 and 2009 respectively. In the event of a change of control, the restrictions which apply to performance shares may cease at the discretion of the Board of Directors. Performance shares granted in 2009 vest within 12 months.

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.

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 were to be issued on achievement of specific sales milestones. During the current year, the distributor agreement was terminated. As a result, any previously recognised expense with respect to the share plan was reversed. The reversal for the year ended 30 June 2009 amounted to \$7,092.

(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.

	2009		2008	
	No	WAEP	No	WAEP
Balance at the beginning of the year	3,663,333	0.7598	1,590,000	0.7940
Granted during the year	470,000	0.7022	2,110,000	0.7347
Forfeited during the year	(1,030,161)	0.7321	(36,667)	0.7940
Exercised during the year	-	-	-	-
Expired during the year	(218,332)	0.8289	-	-
Balance at the end of the year	2,884,840	0.7551	3,663,333	0.7598
Exercisable at 30 June	1,665,855	0.7808	1,293,333	0.8124

Notes to the Financial Statements

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The year-end balance is represented by:

Number of options	Exercise price (\$)	Exercisable until
50,001	0.8700	30/07/10
50,000	0.8700	28/10/10
83,333	0.8700	23/11/10
33,333	0.8700	24/12/10
50,001	0.8700	30/07/11
50,000	0.8700	28/10/11
83,333	0.8700	23/11/11
33,333	0.8700	24/12/11
205,000	0.7160	29/05/12
49,998	0.8700	29/07/12
50,000	0.8700	28/10/12
83,334	0.8700	23/11/12
33,334	0.8700	24/12/12
205,000	0.7160	29/05/13
415,855	0.7347	31/12/13
190,000	0.7160	29/05/14
391,989	0.7347	31/12/14
145,001	0.7022	31/12/14
391,997	0.7347	31/12/15
145,000	0.7022	31/12/15
144,998	0.7022	31/12/16
2,884,840		

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:

	2009		2008	
	No	WAEP	No	WAEP
Balance at the beginning of the year	1,747,673	0.8440	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	1,747,673	0.8440
Exercisable at 30 June	1,414,341	0.7858	1,081,006	0.7660

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2009

The year-end balance is represented by:

Number of options	Exercise price (\$)	Expiry date
249,225	0.6750	31/12/11
166,667	0.9100	31/07/12
166,667	1.0300	31/07/12
249,224	0.6750	31/12/12
166,667	0.9100	31/07/13
166,667	1.0300	31/07/13
249,224	0.6750	31/12/13
166,666	0.9100	31/12/14
166,666	1.0300	31/07/14
1,747,673		

3. Performance Share Plan

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

	2009	2008
Balance at the beginning of the year	359,917	469,500
Granted during the year	35,174	-
Forfeited during the year	(14,169)	(72,333)
Not granted during the year	-	(37,250)
Expired during the year	-	-
Balance at the end of the year	380,922	359,917

(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 2009 is 4.82 years (2008: 5.50 years).

2. Chief Executive Option Plan

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is 3.84 years (2008: 4.39 years).

3. Performance Share Plan

The weighted average remaining contractual life for the performance shares outstanding as at 30 June 2009 is 0.50 years (2008: 1.50 years).

(e) Range of exercise prices

1. Employee Share Option Plan (ESOP)

The range of exercise prices for options outstanding as at 30 June 2009 is \$0.716 - \$0.87 (2008: \$0.716 - \$0.87).

2. Chief Executive Option Plan

The range of exercise prices for options outstanding as at 30 June 2009 is \$0.91 - \$1.03 (2008: \$0.675 - \$1.03).

3. Performance Share Plan

The performance shares have no exercise price.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

(f) Weighted average fair value

1. Employee Share Option Plan (ESOP)

The weighted average fair value of options outstanding as at 30 June 2009 is \$0.4069 (2008: \$0.5214).

2. Chief Executive Option Plan

The weighted average fair value of options outstanding as at 30 June 2009 is \$0.3687 (2008: \$0.3953).

3. Performance Share Plan

The weighted average fair value of performance shares outstanding as at 30 June 2009 is \$0.7165 (2008: \$0.7160).

(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 2009 and 30 June 2008:

	ESOP Issue 2004	ESOP Issue 2007	ESOP Issue 2008	ESOP Issue 2009	Chief Executive Issue 2004
Expected volatility (%)					
Tranche 1	50	50	50	50	50
Tranche 2	50	50	50	50	50
Tranche 3	50	50	50	50	50
Risk free interest rate (%)					
Tranche 1	5.50	6.10	6.36	3.17	5.5
Tranche 2	5.50	6.07	6.36	3.43	5.5
Tranche 3	5.50	6.02	6.36	3.66	5.5
Expected life of option (years)					
Tranche 1	6.0	4.5	5.5	3.4	7.0
Tranche 2	7.0	5.5	6.5	4.4	8.0
Tranche 3	8.0	6.5	7.5	5.4	9.0
Option exercise price (\$)					
Tranche 1	0.8700	0.7160	0.7347	0.7022	0.9700
Tranche 2	0.8700	0.7160	0.7347	0.7022	0.9700
Tranche 3	0.8700	0.7160	0.7347	0.7022	0.9700
Calculated fair value (\$)					
Tranche 1	0.4700	0.3500	0.3695	0.2854	0.5800
Tranche 2	0.5100	0.3800	0.4003	0.3249	0.6100
Tranche 3	0.5500	0.4100	0.4276	0.3597	0.6400

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

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	0.9100	0.1700
Tranche 2-1	50	6.07	5.3	0.9100	0.2000
Tranche 3-1	50	5.98	6.3	0.9100	0.2300
Tranche 1-2	50	6.16	4.3	1.0300	0.1500
Tranche 2-2	50	6.07	5.3	1.0300	0.1800
Tranche 3-2	50	5.98	6.3	1.0300	0.2100

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 management's expectation of exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future.

The expected volatility rate was determined using a sample of industry averages. The resulting expected volatility therefore reflects the assumption that the industry averages are indicative of future trends, which may also not necessarily be the actual outcome.

IPO Options

At 30 June 2009 there were 12,500,000 (2008: 12,500,000) IPO options outstanding. These options were issued as part of the Parent's initial public offering on the Australian Stock Exchange on the basis of one option for every two shares subscribed to. They have an exercise price of 72 cents and expire on 22nd October 2012.

27 Commitments

(a) Operating lease commitments

During the reporting period the Group entered into a lease for its new premises at Pinkenba in Brisbane, which from 1st August 2008 became the Group'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.

During the reporting period the Group leased additional office space with respect to its San Diego premises resulting in an increase of the monthly straight line expense of \$15,426 USD to \$16,516 USD from 1st April 2009.

The fixed term for the lease for the Rochester office finished on the 31st December 2008.

The above leases have an average life of between 3 and 5 years. There are no restrictions placed on the Group for entering into these leases.

The motor vehicle financing is for a two year lease on a vehicle for executive use when in San Diego. This lease significantly reduced the requirement to use rental cars and yielded significant savings.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2009 are as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	AU \$	AU \$	AU \$	AU \$
Within one year	413,456	379,480	86,877	52,069
After one year but not more than five years	1,194,644	1,151,082	123,558	46,308
More than five years	-	22,442	-	-
	1,608,100	1,553,004	210,435	98,377

(b) Finance lease commitments

The Group does not currently have any open finance leases.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

(c) Expenditure commitments

At 30 June 2009 the Group has commitments of \$157,963 (2008: \$1,244,446) relating to the funding of various research and development and investor relations programs.

	Consolidated		Parent	
	2009	2008	2009	2008
	AU \$	AU \$	AU \$	AU \$
Within one year	157,963	1,144,446	100,804	1,144,446
After one year but not more than five years	-	100,000	-	100,000
	157,963	1,244,446	100,804	1,244,446

(d) Royalty commitments

At 30 June 2009 the Group has commitments for the payment of royalties, which are provided for, as follows:

ImpediMed Limited

ImpediMed Limited have royalties that are payable on product sales and are accrued and recognised for the year ended 30 June 2009.

Xitron Technologies, Inc

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 June 2009, with all payments occurring within the next twelve months. The total commitment is for \$125,032. 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.

28 Contingencies

(a) Legal claims

The Group has no known open claims or lawsuits against it.

(b) Contingent liabilities

The company has a commitment to a US capital markets advisor who are supporting the work the company is doing to identify strategic US private equity investors. Under the agreement with them they are entitled to a placement fee based on percentage of a placement.

(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 2009

29 Business combinations

As reported in the Group's annual financial report for the year ended 30 June 2008, the consideration under the acquisition of Xitron Technologies 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 Group's report for the half year ended 31 Dec 2007.

Milestone 2 required the achievement of \$US 3,500,000 or more in revenues 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 in revenues by Xitron for the year ended 30 June 2009, which was not achieved.

Milestone 4 required the achievement of \$US 6,500,000 or more in revenues by Xitron for the year ended 30 June 2010, which is not considered probable.

Refer to the annual financial report for the year ended 30 June 2008 for more details.

30 Events after the balance sheet date

On 2nd July 2009, the Board resolved to issue 10,889,278 ordinary shares to applicants and underwriters of the entitlement offer dated 28th May 2009 at \$0.64 per share raising \$6,969,138.

On 4th August 2009, the Board resolved to issue 111,249 ordinary shares under the employee performance share plan relating to the vesting of 2007 performance shares.

On 4th August 2009, the Board resolved to issue 21,000 ordinary shares to a consultant under the US Equity Incentive Plan under the ESOP for the achievement of objectives.

On 4th August 2009, the Board offered 1,682,500 options under existing options plans to employees and consultants. Included in the total are the following offered to KMP:

Directors

G Brown	250,000
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Executives

J Butler	150,000
B Robinson	150,000
K Fletcher	150,000
D Schlaht	37,500
C Kingsford	75,000

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 2009 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



Jim Hazel
Director



Greg Brown
Chief Executive Officer

Brisbane, 28 August 2009

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 2009, 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, 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. 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 Group a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's Opinion

In our opinion:

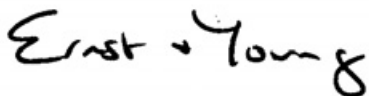
1. the financial report of ImpediMed Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the financial position of ImpediMed Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
 - ii complying 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

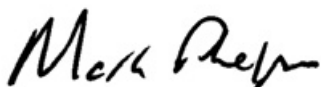
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is 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 2009, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Phelps'.

Mark Phelps
Partner
Brisbane
28 August 2009

Shareholder Information

The Shareholder information below was current at 27th August 2009

(1) Top 20 Security Holders

Ordinary Shares

	Name	Total Shares Held	% Issued Capital
1	STARFISH TECHNOLOGY FUND 1 LP	24,285,465	22.28
2	NATIONAL NOMINEES LIMITED	8,071,676	7.40
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,450,784	5.92
4	BOND STREET CUSTODIANS (MACQUARIE INVESTMENT MANAGEMENT LTD A/C)	5,917,025	5.43
5	VERSANT VENTURE CAPITAL III LP	5,148,899	4.72
6	POWERS PTY LTD	4,957,431	4.55
7	GREG BROWN	4,335,349	3.98
8	PARMA CORPORATION PTY LTD	4,235,000	3.88
9	IRREWARRA INVESTMENTS PTY LTD (STRATEGIC 1 A/C)	3,140,452	2.88
10	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,820,787	2.59
11	STATEWIDE SUPERANNUATION PTY LTD	2,785,397	2.55
12	WESTSCHEME PTY LTD	2,785,397	2.55
13	THORPE ROAD NOMINEES PTY LTD (IAN TREGONING FAMILY ACCOUNT)	2,371,130	2.18
14	TREGONING TRAILERS DISTRIBUTORS PTY LTD (SUPER FUND A/C)	2,064,005	1.89
15	THORPE ROAD NOMINEES PTY LTD (TREGONING FAMILY NO 2 A/C)	1,863,053	1.71
16	UNIQUEST PTY LIMITED	1,490,000	1.37
17	ANZ NOMINEES LIMITED (CASH INCOME A/C)	1,399,608	1.28
18	DR SCOTT MATTHEW CHETHAM (THE ADVANCED BIOPHYSICS A/C)	1,260,870	1.16
19	ROXANNE PTY LTD (THE ROXANNE INVESTMENT A/C)	1,260,870	1.16
20	DENNIS BOURQUE	827,487	0.76

IPDO Listed Options

	Name	Total Options Held	% Listed Options
1	BOND STREET CUSTODIANS (MACQUARIE INVESTMENT MANAGEMENT LTD A/C)	2,763,200	22.11
2	STARFISH TECHNOLOGY FUND 1 LP	2,763,200	22.11
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,500,000	20.00
4	IRREWARRA INVESTMENTS PTY LTD (STRATEGIC 1 A/C)	1,141,000	9.13
5	MR EF MURDOCH+ MRS BK MURDOCH + MR AW MURDOCH (GOANNA FUND A/C)	250,000	2.00
6	THORPE ROAD NOMINEES PTY LTD (TREGONING FAMILY NO 2 A/C)	205,000	1.64
7	NATIONAL NOMINEES LIMITED	175,000	1.40
8	VERSANT VENTURE CAPITAL III LP	172,582	1.38
9	JPS DISTRIBUTION PTY LTD (RAFF SUPER FUND A/C)	70,000	0.56
10	MASTO PTY LTD (MICANA SUPER FUND A/C)	69,500	0.56
11	DR GEORGE MORSTYN + MRS ROSA BERTHA MORSTYN	69,500	0.56
12	MR DOM LA SELVA + MRS MARIA LA SELVA	63,726	0.51
13	MRS VOULA SAMARAS (SAMARAS FAMILY A/C)	63,500	0.51
14	TRUJON INVESTMENT HOLDINGS (SUPER FUND A/C)	59,500	0.48
15	OOMPALAH PTY LTD (SUPER FUND A/C)	54,000	0.43
16	BADGE NOMINEES PTY LTD (MACAULAY SUPER FUND A/C)	50,000	0.40
17	MASTO PTY LTD (MICANA SUPER FUND A/C)	45,000	0.36
18	MR DAVID FREDERICK OAKLEY	45,000	0.36
19	TERRANCE G DOWLING + LYN M TROWN (TRWON & DOWLING S/FUND A/C)	39,000	0.31
20	COLIN FREDERICK BROWN + LYNETTE ANNE BROWN (THE COLLYN S/FUND A/C)	36,000	0.29

Shareholder Information

(2) Distribution of Security Holders

Ordinary Shares

Number of securities held	Number of Investors	Number of Securities	%
1-1000	29	20,202	0.02
1,001-5,000	146	461,571	0.42
5,001- 10,000	106	843,533	0.77
10,001 – 100,000	274	8,095,206	7.43
100,001 and over	75	99,604,516	91.36
Total	630	109,025,028	100.00

7,788,124 shares are unlisted and are held by 27 investors.

IPDO Quoted Options

Number of securities held	Number of Investors	Number of Securities	%
1-1000	1	180	0.00
1,001-5,000	250	660,663	5.29
5,001- 10,000	41	318,139	2.55
10,001 – 100,000	57	1,551,036	12.41
100,001 and over	8	9,969,982	79.75
Total	357	12,500,000	100.00

(3) Substantial Shareholders

At the 28th August 2009 the following entries were contained in the register of substantial shareholders based on substantial shareholder notices received:

Name of substantial shareholder giving notice	Number of Ordinary Shares
Starfish Technology Fund 1*	32,508,830
ImpediMed Limited**	32,099,939
Orbis Investment Management (Australia) Pty Ltd	15,957,092
Wilson HTM Investment Group Limited	8,221,503
Thorpe Road Nominees Pty Ltd (Ian Tregoning)	6,868,461
Macquarie Group Limited	5,526,400

*Of the shares declared on the last notice of Starfish Technology Fund 1, there were 7,814,474 shares which are deemed holdings and which relate to shares of entities not directly associated with Starfish held in escrow under agreements with ImpediMed Limited, which by virtue of Dr Michael Panaccio being a director of ImpediMed are deemed to be associated with him.

**Under the Corporations Law, ImpediMed Limited is categorised as a substantial holder in itself by virtue of escrow agreements which give it control over certain escrowed shares and a deemed interest in the holdings of Starfish Technology Fund 1. All of the escrowed shares will be released from escrow by 31st December 2009, and ImpediMed will then cease to be a substantial holder in itself.

(4) Voting Rights

Only ordinary shares have voting rights, and are one vote per shareholder on a show of hands, and one vote per fully paid ordinary share on a poll.

Neither IPDO quoted options, nor options issued to the CEO, employees or consultants under options plans are entitled to voting rights.

(5) Restricted and Unquoted Securities

As at the 28th August 2009, the following securities are restricted

Class of restricted security	Number Of Holders	Date Restricted Until	Unquoted Ordinary Shares	Quoted Ordinary Shares
Director related securities subject to ASX mandatory escrow	7	24-Oct-09	7,510,126	
Shares issued as consideration for 2005 Aorora acquisition	2	31-Oct-09		304,348
Employee Performance Shares subject to restriction under ESOP	20	*	277,998	
Total	29		7,788,124	304,348

*Subject to the terms of the employee share plan, the performance shares issued under the plan are subject to escrow for 10 years from issue, or an earlier time should the employee leave the employment of the company, or apply to the board for release of the shares from escrow.



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