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## Annual Report 2011



### Annual General Meeting

The Annual General Meeting of the Company  
will be held at 11:00 am on Tuesday  
8 November 2011 at Tattersalls Club,  
cnr Queen and Edward Streets, Brisbane.

ImpediMed Limited ABN 65 089 705 144

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## LYMPHOEDEMA ASSESSMENT INDEX

**Help Her Survive The Lifetime Risk of Lymphoedema  
*Before It's Too Late***

**L-Dex<sup>®</sup>**

# CEO and Chairman's Report

We are pleased to present the Annual Report for ImpediMed Limited ("the Group"), outlining our developments during the 2010/2011 year. This past year we have achieved considerable progress in building the platform to support the use of L-Dex® devices in the U.S. marketplace. We continued to achieve progress through the implementation of our strategy, targeting improvements in healthcare that L-Dex can bring, both in clinical and economic outcomes, while building longer term value for shareholders.

Our cleared medical products provide a strong foundation for our continued growth and success in the future. Through these products, we are well positioned to take advantage of global healthcare system changes to advance healthcare for lymphoedema – a widely underserved area of medicine.

**Mel Bridges** Chair

**Greg Brown** Executive Director and Chief Executive Officer



## Highlights for the year:

- **Secured access to the reimbursement code** – the U.S. Category III Code allows physicians to bill and request reimbursement for L-Dex readings. Securing this code in January 2011 was an important step in advancing a key strategic pillar.
- **Achieved U.S. clinical standard** – the National Accreditation Program for Breast Centers (NAPBC), Clinical Standard 2.15, requires lymphedema management and risk reduction, and recommends the National Lymphedema Network (NLN) guideline U.S. for pre-emptive care.
- **First coverage** – we secured several managed care contracts during the year (membership) and in July 2011, we announced the first insurer policy (covered lives) for reimbursement in the U.S. market.
- **Advanced Intellectual Property (IP)** – we continued to improve our position in IP around applications and the technology platform of bioimpedance spectroscopy.

- **Secured women's advocacy support** – L-Dex testing was recommended in a white paper written by nationally recognized lymphedema experts, physicians and advocates as part of their support for pre-emptive care for all breast cancer patients. The event that led to the white paper was sponsored by the Avon Foundation for Women, in partnership with the National Lymphedema Network and the Lymphatic Research Foundation. The related Avon media release referred to L-Dex as medically necessary.
- **Completed clinical studies** – several studies were published during the year and a number of key studies were submitted for publication. We continue to build publication support and hope to see more outcomes data published over the coming months.
- **Developed new markets** – we continued to progress the development of the UB500 – the next generation device for aiding in the clinical assessment of bilateral lymphoedema in men and women.

During the year, we continued to strengthen our business through the implementation of our core strategic pillars. These pillars are

designed to help the Company establish a defensible and profitable business to build long term shareholder value. The pillars include

- 1) Securing intellectual property around the technology and its applications in key market targets
- 2) Selecting only first-to-market positions where the technology platform can improve both clinical and economic outcomes through its use
- 3) Securing validation of the technology delivering improved clinical and health economics
- 4) Achieving the first regulatory position in key markets, while continuing to expand and increase the class of regulatory claims and
- 5) Providing a unique reimbursement position for physicians – technology specific coding, premium payment and widespread coverage.

The final pillar of reimbursement is a critical component to drive the use of our technology in clinical practice. Without effective reimbursement, tests will not be used, making this final strategic pillar critical for delivering value to shareholders.

### Intellectual Property (IP) extension – for helping to protect the longer term business

IP rights are an important strategic pillar for helping to protect our market position in specific BIS applications around fluid status monitoring. This is why ImpediMed continues to make significant investments in our IP position, adding to the maintenance, development and expansion of our portfolio of trademarks, patents and patent applications. Throughout the year, we continued to expand our portfolio of patent families through the development of new applications from new inventions born out of ongoing research and development projects.

### Continuing clinical validation is essential

Clinical validation for any new technology is a critical requirement for medical device acceptance. During the year, we continued to make good progress in helping the medical community increase global awareness of lymphoedema and the benefits of prospective care model for breast cancer patients. To help establish the clinical value for L-Dex testing in pre-emptive care, the Company has built an expanded selection of supporting literature, expert opinion and U.S. continuing medical education (CME).

We encourage shareholders to visit our website ([www.impedimed.com](http://www.impedimed.com)) to review the existing publication support (under knowledge centre), expert opinions (under physician resources) and the U.S. MedScape CME video (under health insurance providers) around L-Dex testing for aiding in the clinical assessment of female breast cancer patients for unilateral lymphoedema of the arm.

In 2011, we secured increased endorsement from a number of prominent academic medical centres in the U.S. These centres include Columbia Presbyterian Hospital NYC, William Beaumont Hospital Michigan and University of Pittsburgh Medical Centre. The adoption and acceptance of our L-Dex technology by key academic institutions builds further support for the early clinical assessment of lymphoedema.

During the year, we made a commitment to support a BIS registry at Stanford University School of Medicine. Stanford is a key medical academic centre and the registry will be run under the supervision of Dr. Stanley Rockson, a well recognised key opinion leader in lymphoedema. It is expected that this registry will collect data on both epidemiology and the observational benefits of early assessment of lymphoedema from patients across the U.S. over the next 3-5 years.

The registry will offer real-time natural history evidence, based on a standardised metric and, when successful, will continue to validate the clinical acceptance of L-Dex in the U.S. a sensitive and specific direct measure for the early assessment and detection of lymphoedema.

We are now focused on building further clinical validation of the applications for L-Dex in the limbs. To this end, we have signed an agreement for the inclusion of the UB500 Beta II prototype to the U.S. Gynaecologic Oncology Group (GOG) trial in female pelvic cancer patients. In addition to these trials, we continue to progress other studies of BIS in leg applications for lymphoedema.

### First-to-market in fluid status is an advantage

During the year, we expanded the list of customers using U400 L-Dex devices – our primary target market to facilitate a pre-emptive care model. This market includes specialist U.S. breast surgeons and radiation oncologists and their collaboration with therapists.

Our next market focus will be the introduction of our technology for the prospective management of male and female patients at risk of lymphoedema in one (unilateral) or both (bilateral) limbs (arms and legs). Again, our initial focus will be aiding in the clinical assessment of lymphoedema. To address the market for leg lymphoedema, we are in the investigational device labelling phase with our advanced prototype (UB500). This involves clinical trials to validate the superior performance of our technology to conventional methods of assessment in both unilateral and bilateral lymphoedema of the limbs.

Other future market opportunities for the application of our technology platform include oedema applications (venous insufficiency) and fluid status monitoring for dialysis patients to aid in the clinical assessment of dry weight.







Advance prototype UB500 device

### Importance of regulatory claims

In the U.S., a product can generally only be marketed and reimbursed for its cleared or approved claims. Currently, L-Dex U400 is cleared by the FDA for aiding in the clinical assessment of unilateral lymphoedema of the arms in females.

In Europe and Australia, the claim (TGA & CE marked) includes both arms and legs for both men and women.

In April 2010, we filed a claim with the FDA for aiding in the clinical assessment of unilateral lymphoedema of the limbs. We estimate that this claim could be available in the second half of the 2011 calendar year. We plan to file additional claims for bilateral legs after we secure this clearance.

### U.S. reimbursement is a critical demand driver

Achieving reimbursement for L-Dex testing, especially in the U.S. market, is a significant milestone to drive our sales position in breast cancer lymphoedema. In this market, effective reimbursement for medical providers requires establishing three key components: coding, payment and coverage. During the year, we were able to demonstrate these three components of reimbursement.

During the year, we secured our first covered lives announcement through

a health benefits program for federal employees in the U.S. market. This insurance program is reimbursing medical providers for L-Dex testing to aid the clinical assessment of unilateral lymphoedema of the arms for females after mastectomy.

Currently, we are using two metrics to help validate the early indications of coverage of the category III code for a specific payment. These metrics include lives under policy (covered lives) and managed care contracts (membership). Neither of these metrics is ideal. Covered lives can often underestimate true coverage and membership can overestimate your position in the early stages of building effective reimbursement. The ultimate metric will be sales per placement and average price per test, but in the early phases of market development, sales cannot build without establishing effective coverage.

Coverage can build without policy in place and usually this is seen in both local and regional areas for key payers. This has been observed for L-Dex testing and, currently, some regions continue to build towards effective coverage. While sporadic at this point, the early signs are positive to build further regional and local coverage. We are currently working diligently at all levels with the various health care insurers, large self insurance companies and managed care organisations to obtain coverage for L-Dex readings.

Health economics, U.S. peer reviewed science and professional society standards and clinical guidelines are also important elements in building reimbursement. Last year, we made the decision to invest in an independent third party, clinical-based health economics model. This model was completed in November and plays an important role in helping to quantify and articulate suitable payments for L-Dex testing.

### Future key value driver focus

As we continue to execute our strategic plan, there are a number of milestones planned for the coming year:

1. Build reimbursement coverage for the CPT-0239T code to support increasing demand
2. Expand clinical acceptance of the L-Dex technology and drive testing demand with key medical providers and governing societies
3. Secure FDA clearance for the unilateral limb claim for L-Dex U400
4. Launch the Stanford University School of Medicine registry
5. Continue to build and publish outcomes data on the benefits of early detection/intervention in breast cancer patients.
6. Establish a new BIS distribution channel in Germany
7. Meet key commercialisation milestones for the UB500.

In closing, the executive management of your Company believes 2012 will be an important year for expanding reimbursement and driving L-Dex reading revenues. While there is still much work to be done to further build effective reimbursement, the potential rewards for establishing widespread coverage are considerable.

The Board and management are pleased with the progress made in 2011, and would like to thank all our team members for their loyalty, continued hard work and significant achievements. We look forward to the challenges of the year ahead and are excited about sharing our continued future success and growth with our shareholders.

# Board of Directors and Executives

## Board



**Mel Bridges**  
Chair



**Cherrell Hirst**  
Deputy Chair,  
Non-executive  
Director



**Greg Brown**  
Executive  
Director and  
Chief Executive  
Officer



**Jim Hazel**  
Non-executive  
Director



**Martin Kriewaldt**  
Non-executive  
Director



**Michael Panaccio**  
Non-executive  
Director

## Executives



**Peggy Brooker**  
Acting Chief  
Operating Officer  
and Chief Financial  
Officer



**Jack Butler**  
Senior Vice  
President Corporate  
Development,  
North America



**William Gearhart**  
Senior Vice  
President Sales  
and Marketing,  
North America



**Alden Kay**  
Global Vice  
President Quality  
and Regulatory



**Belinda Robinson**  
Vice President  
International  
Sales



**Dennis Schlaht**  
Vice President  
XiTRON Test and  
Measurement

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”) with its wholly-owned subsidiaries (the “Group”). The Parent’s functional and presentational currency and the Group’s presentational currency is the Australian dollar (AUD or \$). 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)  
C Hirst (Deputy Chair)  
G Brown (Chief Executive Officer)  
J Hazel  
M Kriewaldt  
M Panaccio

### Company Secretary

S Denaro

### Registered office

Unit 1, 50 Parker Court  
Pinkenba QLD 4008

### Principal places of business

5959 Cornerstone Court West, Suite 100  
San Diego CA 92121 U.S.A.  
Phone: +1 858 412-0200

Unit 1, 50 Parker Court  
Pinkenba QLD 4008 Australia  
Phone: +61 7 3860 3700

### Share Register

Link Market Services  
Level 22, 300 Queen Street  
Brisbane QLD 4000  
Phone: +61 2 8280 7111

ImpediMed Limited shares are listed on the Australian Securities Exchange (ASX): ASX code “IPD”.  
ImpediMed Limited listed options are listed on the Australian Securities Exchange (ASX): ASX code “IPDO”.

### Solicitors

Corrs Chambers Westgarth  
Level 35, 1 Eagle Street  
Brisbane QLD 4000

Sheppard Mullin Richter & Hampton LLP  
12275 El Camino Real, Suite 200  
San Diego CA 92130-2006 U.S.A.

Nixon Peabody LLP  
1300 Clinton Square  
Rochester NY 14604 U.S.A.

### Bankers

Commonwealth Bank of Australia  
240 Queen Street  
Brisbane QLD 4000

California Bank & Trust  
5500 Grossmont Center Drive, Suite 408  
La Mesa CA 91942 U.S.A.

### Auditors

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

### Remuneration Advisors to the Board of Directors

Barney & Barney LLC  
9171 Towne Centre Drive Suite 500  
San Diego CA 92122 U.S.A.



## Directors' Report

Your Directors submit their report for the year ended 30 June 2011.

### Directors

The names and details of the Group'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.

#### 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 approximately 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 newly appointed Chairman of Leaf Energy Limited (formerly known as AquaCarotene Limited). He is a Non-executive Director of Benitec Limited, Tissue Therapies Limited, and Campbell Brothers Limited.

Mel's areas of experience include the Medical/Biotechnology industry, ASX listed companies, investor relations, mergers and acquisitions and corporate governance and he is a former CEO of several companies.

#### Listed company directorships held since 1 July 2008:

Company Name	Appointed	Resigned
ImpediMed Limited	27-Sep-1999	-
Alchemia Limited	11-Sep-2003	-
Benitec Limited	12-Oct 2007	-
Incitive Limited	01-Nov-2007	1 June 2010
Genera Biosystems Limited	11-Dec-2008	25-Nov-2010
Tissue Therapies Limited	13-Mar-2009	-
Campbell Brothers Limited	29-Sept-2009	-
Leaf Energy Limited	11-Aug-2010	-

#### Cherrell Hirst, AO FTSE MBBS BEdSt DUniv FAICD – Deputy Chair

Cherrell Hirst is a medical doctor and was a leading practitioner in the area of breast cancer screening and diagnosis. Cherrell serves as the Deputy Chair of the Board as well as serving on the Remuneration Committee, the Audit Committee, and the Nomination Committee. She is a Non-executive Director of Tissue Therapies Limited, Avant Mutual Group and Medibank Private. Cherrell is also Deputy Chair and Chief Executive Officer of Queensland BioCapital Funds.

Cherrell's areas of experience include medical practice, breast cancer clinician, the biotechnology industry and corporate governance.

#### Listed company directorships held since 1 July 2008:

Company Name	Appointed	Resigned
ImpediMed Limited	01-Aug-2005	-
Peplin, Inc. (formerly Peplin Limited)	17-Aug-2000	01-Oct-2009
Suncorp Metway Limited	08-Feb-2002	16-Apr-2010
Tissue Therapies Limited	30-Jun-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 U.S. and in Europe. He joined ImpediMed Limited in April 2004 as Chief Executive Officer and through investments in ImpediMed Limited holds approximately 3% of the ordinary shares on issue.

Greg's areas of experience include the Medical/Biotechnology industry, U.S. medical markets, product commercialisation and sales and marketing.

#### Listed company directorships held since 1 July 2008:

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

## Directors' Report

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

Jim Hazel chairs the Audit Committee and serves on the Remuneration Committee and Nomination Committee. Jim had an extensive career in retail and investment banking and was former Chief General Manager of Adelaide Bank Limited. Jim is a Director of Bendigo & Adelaide Bank Limited, Rural Bank Limited, Centrex Metals Limited, Coopers Brewery Limited and Motor Accident Commission.

Jim's areas of experience include finance and accounting, ASX listed companies, former CEO, chairman of audit committees and corporate governance.

#### Listed company directorships held since 1 July 2008:

Company Name	Appointed	Resigned
ImpediMed Limited	27-Nov-2006	-
Terramin Australia Limited	26-Apr-2007	05-Jun-2009
Becton Property Group Limited	07-Apr-2008	01-Jul-2010
Bendigo & Adelaide Bank Limited	01-Mar-2010	-
Centrex Metals Limited	12-Jul-2010	-

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

Martin Kriewaldt chairs the Remuneration Committee and serves on the Audit Committee and Nomination Committee. Martin is a Non-executive Director of ASX listed Oil Search Limited, Macarthur Coal Limited, and BrisConnection Unit Trusts. Martin is a former partner of law firm Allen Allen and Hemsley (now Allen Arthur Robinson), specialising in banking and insurance law.

Martin's areas of experience include legal, ASX listed companies, chairman of remuneration, audit, risk, environment, sustainability and investment committees, corporate governance and contracts.

#### Listed company directorships held since 1 July 2008:

Company Name	Appointed	Resigned
ImpediMed Limited	24-Mar-2005	-
GWA International Limited	25-Jun-1992	30-Oct-2008
Suncorp Metway Limited	06-Dec-1996	16-Apr-2010
Campbell Brothers Limited	12-Jun-2001	26-Jul-2011
Oil Search Limited	16-Apr-2002	-
Macarthur Coal Limited	13-Oct-2008	-
BrisConnection Unit Trusts	24-Oct-2008	-

### 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 \$400 million in funds under management. Michael and entities he is associated with including Starfish Ventures hold approximately 16% of ImpediMed Limited's ordinary shares.

Michael's experience includes more than five years with Singapore based venture capital firm Nomura/JAFSCO investment (Asia) Limited. Michael has experience in capital raising, ASX listed companies, Medical/Biotechnology industry, mergers and acquisitions and corporate governance.

#### Listed company directorships held since 1 July 2008:

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

## Directors' Report

### Interest in the shares and options of the Group 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	4,775,638	45,000	-
G Brown	4,867,092	14,000	2,247,673
J Hazel	303,206	33,750	-
C Hirst	271,886	17,250	-
M Kriewaldt	256,659	-	-
M Panaccio	24,593,145	2,877,700	-

### Company Secretary

#### Stephen Denaro, B.Bus, CA, MAICD – Company Secretary

Stephen Denaro was re-appointed as Company Secretary on 11 September 2009. Stephen had extensive experience in mergers and acquisitions, business valuations, accountancy services, and income tax compliance gained from positions as Company Secretary and Chief Financial Officer of various public companies, and with major chartered accountancy firms in Australia and the United Kingdom. He provides Company Secretarial services for a number of start-up technology and public companies.

Stephen has a Bachelor of Business in Accountancy, Graduate Diploma in Applied Corporate Governance and is a member of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

### Principal activities

The principal activities of the Group during the year were the development, manufacture and sale of bioimpedance instruments and consumables and the sale of electronic test and measurement devices.

# Directors' Report

## Operating and financial review

### Group overview

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

The Group consists of three entities:

- ImpediMed Limited, the parent company operating in medical markets in regions outside the U.S.; incorporated in 1999 and listed on the ASX on the 24 October 2007.
- ImpediMed Inc, a Delaware corporation operating in medical markets in North America.
- XiTRON Technologies, Inc, a California corporation operating in power test and measurement markets globally. XiTRON Technologies, Inc was acquired by ImpediMed Limited on 1 October 2007.

### Operating results for the year

The loss from continuing operations after income tax and the net loss for the year ended 30 June 2011 was \$14.8 million versus \$11.4 million in the prior year. The higher loss is attributed to the unrealised loss on cash held as a result of foreign currency fluctuations (a component of administrative and governance), higher spending on salaries and benefits, research and development and consultants and professional fees.

The average exchange rate for the reporting period was U.S. dollar (USD) 0.989 to the AUD \$1.00 versus USD0.882 for 2010. During 2011, the Group incurred an unrealized mark-to-market foreign currency translation loss of \$2.9 million as compared \$0.2 million in 2010. The Group maintains a significant portion of available funds in U.S. dollars to match U.S. dollar expenses.

Revenue related to goods and services increased for the year ended 30 June 2011 to \$3.9 million from \$3.6 million for 2010, an increase of 8% year over year.

The Parent and ImpediMed, Inc. are the entities that generate revenue for the group from Bioimpedance Spectroscopy (BIS) devices used in the measurement of extracellular fluid differences of the limbs. These companies enter into agreements to place the L-Dex U400 and the Group's other BIS devices with customers. The customers purchase electrodes to perform readings using the devices.

In the third quarter of 2011, the Group shifted focus in the U.S. lymphoedema market from an L-Dex device operating lease business model to a Purchase Supply Agreement (PSA). A PSA for an L-Dex device is executed and the device is placed with the customer. Under the PSA, the Company maintains a device with the customer as long as the customer purchases L-Dex reading packages (electrode consumables) from the Group on a regular basis as defined by the customer's patient volume.

Revenue is generated through the sale of the reading packages. The PSA defines the terms of use in which the customer may use the device and the pricing of electrodes (consumables) based on the volume of readings that the medical practice sustains. The PSA is common place and a customary sales method in the U.S. medical practice market place.

By 30 June 2011, the Group had 142 L-Dex agreements as compared to 98 as at the prior year-end. Of the 142 agreements, 38 are PSA agreements and 104 are operating leases. Current lease customers are expected to maintain their device under the operating lease; however, certain customers have renewed their agreements through a new PSA.

Salaries and benefits increased to \$6.2 million, an increase of 9% as compared to \$5.7 million in 2010. The full time equivalent (FTE) headcount at 30 June 2011 was 41 versus 42 at the prior year end. Wages and salaries increased due to several factors including the hiring of the Senior VP Sales and Marketing North America in October 2010, employees leaving the Company during the fourth quarter 2011 and certain severance payments to the former CFO and the VP Operations upon their resignations.

Research and development project costs increased 9% to \$1.4 million in 2011 as compared to \$1.3 million for 2010 as further progress was made on the commercialisation of the next generation UB500 device.

Administrative and governance expense increased to \$4.2 million in 2011 as compared to \$1.1 million in the prior year. The increase was due primarily to the unrealized mark-to-market foreign currency translation loss of \$2.9 million in 2011 compared to \$0.2 million in 2010.

Advertising and promotion expense for the financial year was \$0.5 million versus \$0.2 million in the prior year as the Group continues to develop U.S. managed care and sales and marketing initiatives in an effort to improve reimbursement on the Group's CPT code and increase revenue through device placements.

# Directors' Report

## Significant changes in the state of affairs

### Review of financial condition – liquidity and capital resources

Cash and cash equivalents decreased to \$17.9 million at 30 June 2011 from \$18.8 million at 30 June 2010 due to cash used in operating activities offset by capital raising activities during the year. Net cash used in operating activities during 2011 was \$11.3 million, an increase of \$0.9 million as compared to \$10.4 million used in 2010.

### Raised capital – share issues during the year

Cash flow from financing activities generated \$13.4 million in 2011 versus \$23.1 million in 2010 from the issuance of ordinary shares in December 2010 and January 2011. During 2011, issued capital increased to \$98.0 million at 30 June 2011 (2010: \$84.6 million). Total equity decreased to \$20.7 million at 30 June 2011 (2010: \$22.2 million). Total liabilities decreased to \$2.1 million at 30 June 2011 (2010: \$2.7 million).

The following outlines the capital raised during the year ended 30 June 2011 and 30 June 2010.

- \$9.4 million, net of transaction costs, on 17 December 2010 through the issue of 14,300,000 ordinary shares under a placement to institutional investors at \$0.70 per share.
- \$4.0 million, net of transaction costs, on 28 January 2011 through the issue of 6,100,186 ordinary shares under a share placement plan with current investors at \$0.70 per share.
- \$6.6 million, net of transaction costs, on 2 July 2009 through the issue of 10,889,278 ordinary shares under a placement to institutional investors at \$0.64 per share.
- \$9.6 million, net of transaction costs, on 9 April 2010 through the issue of 15,400,000 ordinary shares under a placement to institutional investors at \$0.65 per share.
- \$6.9 million, net of transaction costs on 17 May 2010 through the issue of 11,567,763 ordinary shares under a rights issue to existing Australian and New Zealand resident shareholders at \$0.65 per share.

### Dynamics of the business

The Parent and its wholly owned subsidiary, ImpediMed, Inc., are the entities that generate the BIS revenue for the Group. These companies enter into agreements to place the U400 devices with customers. The customers purchase electrodes to perform readings using the U400 device.

In prior years, under the Group's L-Dex device model, the Parent or ImpediMed Inc. enters into operating leases (typically three years) with clinicians. The Group charges a monthly or quarterly minimum lease payment (after the expiry of the trial period for reimbursement assessment) in accordance with the L-Dex U400 device lease. Under this model the Group retains title to the devices and carries it in property, plant and equipment, depreciating it over the life of the lease.

In the third quarter of 2011, the Group shifted focus in the U.S. lymphoedema market from an L-Dex device operating lease business model to a Purchase Supply Agreement (PSA) business model. A PSA is signed and the L-Dex device is placed with the customer. Under the PSA agreement, the Group maintains a device with the customer as long as the customer purchases L-Dex reading package (electrode consumables) from the Company on a regular basis as defined by the customer's patient volume at the Group's consumable price list.

Revenue is generated through the sale of the reading packages. The PSA defines the terms of use in which the customer may use the device and the pricing of electrodes (consumables) based on the volume of readings that the medical practice sustains. The PSA is a common place and customary sales method in the U.S. medical practice market place.

U400 revenue continues to progress with 142 L-Dex agreements in place at 30 June 2011 as compared to 98 as of the prior year end. Of the 142 agreements, 38 are PSA agreements and 104 are operating leases. Current lease customers are expected to maintain their device under the operating lease. However, certain customers have renewed their agreements through a new PSA.

Under both agreements (operating lease or PSA) ImpediMed retains title to the device and carries it in property, plant and equipment, depreciating it over 3 years. As the business scales up, the investment in L-Dex devices is expected to have a significant impact on the working capital needs of the Group which are expected to be offset by revenue and profitability.



## Directors' Report

### Significant changes in the state of affairs (continued)

#### Dynamics of the business (continued)

ImpediMed remains committed to advancing research and development, as well as commercialisation of its products to succeed in the lymphoedema markets of Australia, the United States and selected regions in Europe and Asia. During the year ended 30 June 2011, ImpediMed continued to make progress in increasing the adoption by U.S. physicians and healthcare payers of L-Dex technology in aiding in the clinical assessment of lymphoedema in female breast cancer patients. The Group also continues its development of the next generation product, the UB500.

These combined efforts continue to support the current market and future market revenue opportunities as evidenced by the Group's successful milestones.

Subsequent to year end, the Group verified the first covered lives in the U.S. market through a health benefits program for federal employees. This insurance program is reimbursing medical providers for L-Dex testing to aid in the clinical assessment of unilateral lymphoedema of the arms for female breast cancer patients. There are approximately 9 million federal employees, retirees and family members that are covered under this program.

In addition, the Group verified a further 3 million covered lives through the U.S. Federal Employees' Compensation Act that provides workers' compensation coverage to federal and postal workers around the world for employment-related injuries and occupational diseases as directed by the U.S. Department of Labor.

Adoption of the L-Dex business model continues to increase in the U.S. lymphoedema market with 142 devices in the U.S. as of 30 June 2011, up from 98 at the beginning of the year. The number of placements is expected to grow at current rates in the near term as the Group continues to develop health care payer coverage through reimbursement to physicians using the Category III CPT 0239-T code.

The Group's achievements and milestones progressed during 2011 and continue into the next year as part of the execution of company strategy:

- On 1 January 2011, Category III Code CPT 0239-T, for the use of bioimpedance spectroscopy (BIS) in the measurement of extracellular fluid differences of the limbs, became available to use for reimbursement to clinicians in the U.S. The Category III code is designated for emerging technologies.
- In April, the Group announced that clinical guidelines were established by U.S. Clinical Standard 2.15 from the National Lymphedema Network (NLN) in the U.S.
- A growing list of independent medical publications supporting ImpediMed's first-to-market position with the only FDA cleared device aiding in the early assessment of lymphoedema.
- Increasing U.S. legislative pressures supporting lymphoedema patients through being an active participant in shaping U.S. legislative bill HR 2499 the "Lymphedema Diagnosis and Treatment Cost Saving Act" amendment to Title XVIII of the U.S. Social Security Act.
- The Group completed its next generation UB500 Beta II Prototype devices for use in a clinical trial sponsored by the Gynecologic Oncology Group (GOG) and for support with other clinical studies.
- The filing of the 510k application with the U.S. Food and Drug Administration (FDA) to expand the indications for use of ImpediMed's L-Dex U400 device. If successful, this new claim will allow the Group to target a broader range of patients at risk of unilateral leg lymphoedema in both men and women.
- Throughout the year, ImpediMed continued to expand on its portfolio of patent families through both acquiring other company patents / licences and through the writing of new applications from new inventions born out of ongoing research and development projects.

ImpediMed continues to drive expansion in the U.S. lymphoedema market by building its managed care resources, which are critical to building reimbursement coverage for L-Dex testing. On this front the Group secured five (5) Preferred Provider Organisations (PPO) signed contracts for reimbursement of L-Dex testing claims by clinicians. In addition, the Company determined that Beech Street – Viant (BSV) is covering claims in many parts of the U.S. BSV is an at risk PPO with 16 million members - covering L-Dex clients at a percentage of billed charges or contracted default percentage discount when billing CPT 0239T.

### Significant events after the balance date

The Directors are not aware of any significant change in the state of affairs of the Group after the balance sheet date that is not covered in this report.

## Directors' Report

### Likely developments and expected results

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

The Group expects to experience an increase take-up in placements of L-Dex devices via PSAs following the combination of the clinicians' ability to use the American Medical Association Category III Current Procedural Terminology (CPT) code, 0239T, with decisions by health insurance payers to pay for the cost of L-Dex readings. Having a Category III CPT code simplifies processing of claims for reimbursement by clinicians relative to using a miscellaneous reimbursement code.

Obtaining reimbursement through coverage statements or evidence of coverage by explanation of benefits (EOBs) statements documenting payment from health care insurance payers in the U.S. ("covered lives") is critical to the success of the Group. Coverage from health care payers who recognize the clinical and economic value of the pre-emptive care model are expected to encourage clinicians to adopt the use of L-Dex in the ongoing care of their cancer patients by agreeing to reimburse clinicians for the cost of L-Dex readings.

The Group secured its first 12 million lives in July 2011 and is working on securing additional covered lives or evidence of coverage through EOBs. The Group's ability to generate revenue has been constrained due to this early stage lack of reimbursement. Revenue is expected to increase slowly during early financial year 2012 before increasing at a more accelerated rate as more clinicians adopt the new code and reimbursement by health care insurance payers begin to have a positive effect on the Group.

The Group is targeting to secure 20 million covered lives by December 2011. This first significant level of reimbursement should begin to drive L-Dex placements in the U.S. market place.

Stanford University filed a submission with the Centers for Medicare and Medicaid Services (CMS) to gain national reimbursement support for an arm lymphoedema registry for U.S. breast cancer patients in November 2010. The BIS registry is to be run by the Stanford University School of Medicine. The proposed registry and study has the full support of the Stanford University Institutional Review Board (IRB).

In 2011, the Company agreed to make a major investment in support of the Stanford BIS registry. Under the supervision of Dr. Stanley Rockson, it is expected that this registry will collect data on early assessment of lymphoedema from patients across the U.S. over the next 3-5 years. This registry would build further real-time natural history evidence in the market and, if successful, would continue to establish the clinical acceptance of L-Dex in the U.S. as a standardised and objective metric and support the benefits of early detection.

The Group recently signed a contract with the GOG to include UB500 devices in a clinical trial. The GOG is a group of affiliated academic medical centers and gynecologists across the U.S. who focus on the advancement of scientific understanding and treatment of gynecologic cancers. GOG trial 269 is a subset of a larger parallel protocol, GOG trial 244 which will enrol approximately 1,200 patients with cervical, endometrial, ovarian and vulvar cancer and evaluate lymphoedema incidence. This protocol recently advanced from a concept stage (CPC 0812) to an official GOG program. The Group's expectation is that GOG trial 269 will compare BIS to tape measurement. GOG trial 269 will be a multi-site trial to include 8-10 enrolment sites. ImpediMed will provide these sites with Beta II UB500 devices.

The Group expects to continue to generate a net loss in financial year 2012 while building a market position among breast surgeons and other physicians in the U.S. The Group expects to fund these losses with current cash and through continued fund raisings.

### Environmental regulations and performance

The Group's activities are subject to licences and regulations under environmental laws that apply in the jurisdictions of its operations. These licenses specify limits for and regulate the management of moving to lead free components. 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.

In addition, the Group's Australian operations will be required to comply with the Australian Federal Government's Carbon Pollution Reduction Scheme which is expected to be applicable from July 2012. The Group is currently evaluating the potential impact of the requirements on its operations.

There have been no significant known breaches of the license conditions or other environmental regulations.

ImpediMed has an environmental health and safety management system, which includes regular monitoring, periodic auditing and reporting within the Group. The system is designed to continually improve ImpediMed's performance and systems with training, regular review, improvement plans and corrective action as priorities.

## Directors' Report

### Share options

Details of options granted to key management personnel and exercised during the year are set out in the Remuneration Report.

#### Unissued shares

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

	30 August 2011	30 June 2011
IPO options	12,478,500	12,478,500
CEO options	2,247,673	2,247,673
ESOP options	6,048,110	4,848,110
Total Options	20,774,283	19,574,283

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.

Refer to Note 26 of the financial statements for further details of options outstanding and the value of the options.

Option holders do not have the right, by virtue of the option, to participate in any share issue of the Group or any related body corporate or in the interest issue of any other registered scheme.

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.

### Dividends

No dividends were paid or proposed to be paid to shareholders for the year ended 30 June 2011.

### Indemnification and insurance of directors and officers

The Group has insured its Directors, Secretary and executive officers for the financial year ended 30 June 2011. Under the Group's Directors' and Officers' Liability Insurance Policy, the Group cannot release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Group relies on section 300(9) of the Corporations Act 2001 to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy. Under a Director's Deed of Access and Indemnity the Group:

To the extent permitted by law and subject to the restrictions in section 199A and 199B of the Corporations Act 2001, the Group indemnifies every person who is or has been an officer of the Group against any liability (other than for legal costs) incurred by that person as an officer of the Group where the Group requested the officer to accept appointment as Director.

To the extent permitted by law and subject to the restrictions in sections 199A and 199B of the Corporations Act 2001, the Group indemnifies every person who is or has been an officer of the Group against reasonable legal costs incurred in defending an action for a liability incurred by that person as an officer of the Group.

### Employees

As at the 30 June 2011, ImpediMed and its subsidiaries had a total of 42 full and part-time employees (2010: 46 employees).

## Directors' Report

### Diversity

The Group issued a Diversity Policy during the year. The policy has been developed with a company much larger than the current size of the ImpediMed Group in mind. Accordingly, the policy contains a number of aspirational aspects which will not necessarily be capable of achievement in the short term.

The diversity of an appropriate mix of Australian and United States workers / employees and the appropriate qualifications of all staff are of prime concern at present.

The purpose of the diversity policy is to acknowledge that a talented and diverse workforce is a key competitive advantage and to show the Group is committed to workplace diversity. Diversity includes, but is not limited to, gender, age, race, religion, national origin, ethnicity, cultural background, marital status, sexual orientation or disability.

The diversity policy defines the initiatives which assist the Group with maintaining and improving the diversity of its workforce.

To the extent practicable, the Group will address the recommendations and guidance provided in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles).

### ImpediMed's Commitment to Workplace Diversity

ImpediMed is committed to providing a respectful environment where employees and others in the workplace are treated fairly and all decisions are based on merit, without regard to their differences or similarities.

The Board is committed to diversity and promoting a policy to maximise the achievement of corporate goals. The Company's key area of focus in the context of diversity relates to women in leadership.

### Details of the number of management level females of the Group as of:

Level	30 June 2011		30 June 2010	
	Female	Total	Female	Total
Board of Directors	1	6	1	6
Executives	2	6	2	7
Senior Managers and Above	4	12	4	12

### Corporate governance

Details of ImpediMed's corporate governance policies and procedures including information about Board Committees are set out in the section of this report entitled "Corporate Governance".

### Remuneration report (audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporation Act 2001* (the Act) and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration. This information has been audited as required by section 308(3c) of the Act.

# Directors' Report

## Remuneration report (audited) (continued)

### Details of the key management personnel (including the five highest executives of the Parent and the Group)

#### Directors

Mel Bridges	Chairman
Cherrell Hirst	Deputy Chair (appointed 9 July 2011), Non-executive Director
Greg Brown	Executive Director and Chief Executive Officer
Jim Hazel	Non-executive Director
Martin Kriewaldt	Non-executive Director
Michael Panaccio	Non-executive Director

#### Executives

Peggy Brooker	Acting COO (appointed 29 July 2011) and Chief Financial Officer (appointed 18 October 2010);
Jack Butler	Senior VP Corporate Development, North America
William Gearhart	Senior VP Sales and Marketing, North America (appointed 18 October 2010)
Belinda Robinson	VP International Sales
Donald Myll	Chief Financial Officer (resigned 18 October 2010)
John Honeycutt	Senior VP Operations (resigned 31 May 2011)

Other than noted above, there were no changes to the above positions between the reporting date and the date this annual financial report was authorised for issue.

### Remuneration committee

The Remuneration Committee of the Board of Directors of the Group is responsible for making recommendations to the board on the remuneration arrangements for Non-executive Directors (NED), the CEO and executives reporting to the CEO.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of maximizing shareholder benefit through the retention of high-quality, high-performing directors and executive team. In determining the level and composition of executive remuneration, the Remuneration Committee may also engage external consultants to provide independent advice.

The Remuneration Committee comprises five independent NED. The primary responsibilities of the Remuneration Committee are to:

- Recommend to the Board of Directors the amount and form of compensation to be paid to the Chief Executive Officer based on his performance.
- Review the CEO's recommendations, based on their performance, of the amount and form of compensation to be paid to the executives reporting to the CEO.
- Exercise oversight of the remuneration philosophy, plans and practices for all other non-executive employees.
- Exercise oversight and recommend to the Board of Directors the administration of the Group's equity compensation plans.
- Recommend to the Board of Directors the amount of and form of compensation arrangements for NED.

Additional information on the Remuneration Committee's roles, responsibilities and membership can be seen at [www.impedimed.com](http://www.impedimed.com).



# Directors' Report

## Remuneration report (audited) (continued)

### Remuneration strategy

The Remuneration Committee reviews the overall remuneration strategies and recommends the nature and amount of remuneration of directors and certain executives. ImpediMed's remuneration strategy is designed to attract, motivate and retain employees and NED in Australia and the United States by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group. To this end, key objectives of the Group's reward framework are to:

- Align remuneration with the Group's business strategy;
- Offer competitive remuneration benchmarked against the applicable market's region and country practices;
- Provide strong linkage between individual and Group performance and rewards;
- Offer remuneration based on internal equity with other employees' and individuals' skills matching the role requirements with their experience and responsibilities;
- Align the interests of executives and shareholders and share the success of the Company with the employees; and
- Support the corporate mission statement, values and policies through the approach to recruiting, organising and managing people.

### Remuneration structure

The remuneration structure for NED and executives is separate and distinct.

#### Remuneration structure of non-executive directors

The maximum aggregate remuneration for NED is approved by shareholders. The Remuneration Committee considers the level of remuneration required to attract and retain directors with the necessary skills and experience for the Group's board. This remuneration is reviewed with regard to market practice and director duties and accountability.

Non-executive directors' fees are determined within an aggregate directors' fee pool, which was subject to approval by shareholders at the annual general meeting (AGM). The maximum aggregate remuneration approved for NED was \$600,000 as approved by shareholders in 2006. The sum of non-executive directors' fees paid in 2011 was \$495,100. Each NED received a base fee of \$70,000. Additional fees of \$20,000 each were also paid for serving as Chair of the Audit Committee and Remuneration Committee. The Chairman received additional fees of \$70,000 for serving as Chairman of the Board of Directors. All fees are exclusive of superannuation.

On 9 July 2011 the Board appointed a Deputy Chair of the Board of Directors. Additional fees over base fees for the Deputy chair will be \$140,000 to reflect the work load of the position. The Chairman will receive additional fees of \$20,000 on a go forward basis.

The Board will not seek any increase for the NED pool at the 2011 AGM. The remuneration of the NED for the year ended 30 June 2011 is detailed in Table 1 of this section of the report.

#### Remuneration structure of executives

Certain members of the executive team have employment letters with normal executive terms. The executive team's short term incentive and long term incentive remuneration are outlined in this report.

In the financial year 2011, the remuneration structure for executives and employees consisted of the following elements. Other than fixed remuneration, the other components are subject to the discretion of the Board.

- Fixed remuneration or base salary including comprehensive employee benefits package and
- Variable remuneration – short term cash incentive (STI) in the form of an annual incentive plan(s); and long term equity incentive (LTI).

## Directors' Report

### Remuneration report (audited) (continued)

#### Fixed remuneration / base salary

As an early stage company where cash is constrained, fixed remuneration is targeted at the lower end of the normal band of remuneration. In addition, employees, especially in North America, are awarded options which have comparatively small present value, which may deliver comparative large rewards should the Group be successful. In which case the shareholders will have benefited from the share price too.

ImpediMed aims to set fixed remuneration by reference to market levels for positions of comparable responsibility in both industry and country, based on a formal job evaluation process. Fixed remuneration consists of base salary, superannuation or similar retirement benefits and other entitlement benefits that vary by country and sometimes by state of residence of the employee. Fixed remuneration is not "at risk" as it does not vary with the performance of the Group.

Executive remuneration costs are reviewed periodically by the Remuneration Committee. This review process consists of a review of Group, business unit and individual performance, relevant comparison of remuneration internally and externally and, where appropriate, external independent advice. Executives are not guaranteed pay increases. For financial year 2010, the Group provided a pool of 4% of fixed remuneration for all employees and in financial year 2011 the Group refrained from increasing fixed remuneration for all executives and employees, except in the case of promotion.

#### Variable remuneration / Short-term Incentives (STI) & Long-term Incentives (LTI)

The fixed remuneration is supplemented by providing short and long term incentives to enable all employees to earn further remuneration based on Group performance, team performance and demonstrated individual performance.

Employees may earn a cash incentive / STI based on either work performance or on a commission program for revenue including the placement of L-Dex devices or meeting business development milestones around coverage. The maximum STI available is between 5% and 21% of fixed remuneration, depending on level of responsibility. Actual STI payments awarded to each employee depends on the extent which specific key performance indicator (KPI) targets are achieved.

The KPIs consist of a set of both financial and non-financial targets for the Group and for individual measures of performance and are chosen as they represent key drivers for the short-term success of the business and provide a framework for delivering long-term value. 100% performance measured against KPIs would result in the maximum STI payment. There is a minimum level of performance required to earn any of the STI and executives have gating KPIs for financial performance and quality and regulatory compliance. Gating is a minimum level of performance against these KPIs which is required for payment of any STI.

The STI award period is the financial year in order to align the timing of individual performance incentives with Group-wide operating and financial targets and related results. The STI measures for executive compensation for financial year 2011 were focused toward Group-wide operating and financial targets rather than individual performance. These included KPIs related to reimbursement milestones, L-Dex device placements and revenue, Group funding, financial performance against operating plan, progress in research and development, and quality and regulatory training. Two executive KPIs were gating in that these needed to be achieved before STI was considered.

For the financial year 2011, \$119,275 has been accrued in the 2011 financial statements for STIs and was paid to executives in August 2011. The Remuneration Committee approved the STI payments for the period 1 July 2010 – 30 June 2011 on 4 August 2011.

The Board has granted LTIs to reward the performance of employees in alignment with shareholders for the long term benefit of the Group. LTI awards are made under the employee share option plans and are delivered in the form of share options. Each option entitles the holder to one fully paid ordinary share of ImpediMed Limited at an exercise price set based on the 3 day VWAP of the market price (fair market value) at close of business when granted. LTIs are granted under the discretion of the Board and are subject to adjustment for KPI performance as is custom for Australian employees. By multiplying the number of LTI options granted by the KPI performance percentage, yields a performance adjustment entitlement (PAE). Consistent with compensation practices in the U.S., no adjustment for performance measured against KPIs is made for U.S. employees. The PAE and U. S. option grant vests over a three year period, in most cases.

Where an LTI participant ceases employment prior to the vesting of their award, the options are forfeited unless the Board applies its discretion to allow vesting at or post cessation of employment in appropriate circumstances. In 2011, the Board exercised its discretion to allow a one year extension of the exercise period of LTI awards for Mr. Myll and Mr. Honeycutt, who resigned on 18 October 2010 and 31 May 2011, respectively.

## Directors' Report

### Remuneration report (audited) (continued)

#### Variable remuneration / STI & LTI (continued)

In the event of a change of control of the Group, the date of award vesting will generally be brought forward to the date of the change of control if no performance conditions remain outstanding and is subject to the discretion of the Board of Directors.

Options were granted under the employee share option plans to a number of executives during financial year 2011 as part of their new hire and incentive packages. Details in respect of the awards are provided in Table 2 in this section of the report.

For the year ended 30 June 2011, the details of the STI payments to the Chief Executive Officer and KMP are as set out below.

	Awarded	STI incentive Forfeited
<b>Executives</b>		
Gregory Brown - Chief Executive Officer	50%	50%
Peggy Brooker - Acting COO and Chief Financial Officer	50%	50%
William Gearhart - Senior VP Sales and Marketing North America	50%	50%
Jack Butler - Senior VP Corporate Development U.S.	50%	50%
Belinda Robinson - VP International Sales	68%	32%
Don Myll - Chief Financial Officer (resigned 18 October 2010)	0%	100%
John Honeycutt - Senior VP Operations (resigned 31 May 2011)	0%	100%

#### Consequences of performance on shareholder wealth

ImpediMed Limited has operated as a listed public company since October 2007. The Company is an early revenue stage company and has not yet achieved profitability. Therefore, the measures outlined in the table below are designed for companies larger than ImpediMed. While the Remuneration Committee gives regard to the following indices in respect of the current and prior financial years, executive remuneration is not directly linked to these indices.

Shareholder wealth is linked to value creation through our research and development, building the U.S. marketplace in relation to L-Dex device placements and reimbursement milestones. Thus, executive remuneration is linked to KPIs that are developed around these key value drivers and our strategic pillars.

Amounts \$	2011	2010	2009	2008	2007
Net loss attributable to equity holders of the parent entity (thousands)	(14,822)	(11,402)	(14,028)	(9,754)	(10,127)
Dividends paid	nil	nil	nil	nil	nil
Share price at 30 June	0.57	0.56	0.64	0.78	n/a (i)
Change in share price	0.01	(0.08)	(0.14)	n/a (i)	n/a (i)

(i) The Company was not publicly traded prior to October 2007.

## Directors' Report

### Remuneration report (audited) (continued)

#### Executive contractual arrangements

Remuneration arrangements for KMP are formalised in employment agreements. Contracts are generally "at will" and outline the remuneration and other key provisions. Certain KMP have negotiated termination provisions as follows.

	Notice Period	Payment in lieu of notice (i)
<b>Executives</b>		
G Brown	12 months	12 months
P Brooker	6 months	6 months
J Butler	12 months	12 months

(i) Payments are made in lieu of notice only if termination is other than for cause.

#### *Payments applicable to outgoing executives*

J Honeycutt received \$93,544 in severance pay in accordance with the terms of his agreement. Mr. Honeycutt forfeited all unvested shares. As recognition for Mr. Honeycutt's service, the Board of Directors extended the expiry date of his vested shares from 30 days to twelve months from his last date of employment. D Myll received \$103,793 in severance pay in accordance with the terms of his agreement. As recognition for Mr. Myll's service, the Board of Directors extended the expiry date of his vested shares from 30 days to twelve months from his last day of employment. All unvested options were forfeited.

#### CEO remuneration

Mr. Brown entered into an employment contract with the Parent on 19 May 2006. The contract provides a notice period of twelve months and specifies annual performance and remuneration reviews. The contract provides that base salary floor may be taken as salary, vehicle allowance, or superannuation salary sacrifice and does not include guaranteed base salary adjustments. Mr. Brown's maximum STI is 21% of fixed remuneration and he is also eligible to participate in the LTI remuneration plan. Mr. Brown's base salary for financial year 2011 was \$445,191 plus 9% superannuation. For the financial year 2011 from 1 July 2010 through 30 June 2011, Mr. Brown earned 50% of his potential short term incentives.

In the event of the termination of Mr. Brown's employment, other than for cause, twelve months base salary and superannuation would be payable.

Mr. Brown's LTIs options in the Parent were issued in December 2004 (747,673 options) and in October 2007 (1,000,000 options) at the time of the Parent's initial public offering on the Australian Stock Exchange. The October 2007 options issued in conjunction with the IPO did not include any performance hurdles; however, they were granted with elevated exercise prices ranging from \$ 0.91 to \$1.03 per share relative to an IPO price of \$0.70 per share issued (before giving effect for options granted with a 1:2 ratio of options granted for every IPO share subscribed). The Board issued an additional 500,000 options at elevated exercise prices of \$1.00 per share to the CEO after shareholders' approval in November 2010.

In addition to his long term incentive holdings, Mr. Brown has a shareholding of approximately 3% of ordinary shares having invested his own funds in the Parent in 2001, 2003, 2006, 2007 and 2010.

# Directors' Report

## Remuneration report (audited) (continued)

### Remuneration of key management personnel and the five highest paid executives of the Group

**Table 1: Remuneration of key management personnel for the years ended 30 June 2011 and 30 June 2010 (i)**

30 June 2011	Short Term			Post Employment	Share-based	Total	Performance related	Options related
	Salaries & fees	Cash bonus	Non-monetary (vii)	Super-annuation	Options and performance shares			
	\$	\$	\$	\$	\$	\$	%	%
<b>Directors</b>								
M Bridges	140,000	-	-	12,600	-	152,600	-	-
C Hirst	70,000	-	-	6,300	-	76,300	-	-
G Brown (ii)	504,125	46,745	-	48,947	97,372	697,189	7	14
J Hazel	90,000	-	-	8,100	-	98,100	-	-
M Kriewaldt	90,000	-	-	8,100	-	98,100	-	-
M Panaccio	70,000	-	-	-	-	70,000	-	-
<b>Executives</b>								
P Brooker (iii)	202,245	18,877	18,698	7,416	101,831	349,067	5	29
J Butler (iii)	204,639	19,100	17,063	8,186	23,190	272,178	7	9
W Gearhart (iii)	147,146	14,157	11,102	5,393	127,320	305,118	5	42
B Robinson	149,969	20,396	-	17,047	21,080	208,492	10	10
D Myll (iii)(iv)	186,575	-	21,328	-	(34,040)	173,863	-	(20)
J Honeycutt (iii)(v)	290,196	-	670	-	2,698	293,564	-	1
	<b>2,144,895</b>	<b>119,275</b>	<b>68,861</b>	<b>122,089</b>	<b>339,451</b>	<b>2,794,571</b>		
<b>30 June 2010</b>								
	Salaries & fees	Cash bonus	Non-monetary (vii)	Super-annuation	Options and performance shares	Total	Performance related	Options related
	\$	\$	\$	\$	\$	\$	%	%
<b>Directors</b>								
M Bridges	109,000	-	-	-	-	109,000	-	-
C Hirst	50,000	-	-	4,500	-	54,500	-	-
G Brown (ii)	472,343	78,030	96,000	58,174	152,590	857,137	9	18
J Hazel	60,000	-	-	5,400	-	65,400	-	-
M Kriewaldt	55,000	-	-	4,950	-	59,950	-	-
M Panaccio	50,000	-	-	-	-	50,000	-	-
<b>Executives</b>								
P Brooker(iii)	128,712	25,594	735	3,274	40,768	199,083	13	20
J Butler(iii)	232,518	44,087	19,062	10,851	51,888	358,406	12	14
B Robinson	147,085	26,533	-	15,626	43,426	232,670	11	19
A Kay	142,047	24,611	15,030	659	30,576	208,509	12	15
D Schlaht	163,679	33,639	10,616	7,505	30,276	250,129	13	12
D Myll(iii)	137,579	27,305	9,079	-	101,921	275,884	10	37
J Honeycutt(iii)(v)	219,147	41,075	777	8,766	46,764	316,529	13	15
P Auckland (vi)	65,132	-	9,000	6,672	40,858	121,662	-	34
	<b>2,032,242</b>	<b>300,874</b>	<b>160,299</b>	<b>126,377</b>	<b>539,067</b>	<b>3,158,858</b>		

(i) The above figures represent the amounts expensed in the relevant reporting period.

(ii) In 2011 and 2010, G Brown's salaries and fees included \$58,934 and \$131,713 payout of novated lease and unused holiday pay, respectively.

(iii) All figures shown in AUD although remuneration paid in USD.

(iv) D Myll resigned as CFO on 18 October 2010. Mr. Myll's 2011 salaries and fees include \$103,793 in severance pay. Share-based payments include a modification to extend the expiry date of his vested options offset by forfeiture of unvested options.

(v) J Honeycutt resigned as Senior VP Global Operations and Research & Development on 31 May 2011. Mr. Honeycutt's 2011 salaries and fees include \$93,544 in severance pay. Share-based payments include modifications to extend the expiry date of vested options offset by forfeiture of unvested options.

(vi) P Auckland resigned as CFO on 25 September 2009.

(vii) Non-monetary benefits for U.S. based employees includes the payment of certain health and disability related insurance premiums and is customary in the U.S. market.

Note: Refer to page 11, details of key management personnel, for dates of new appointments and resignations.



## Directors' Report

### Remuneration report (audited) (continued)

#### Remuneration of key management personnel and the five highest paid executives of the Group (continued)

**Table 2: Remuneration options: granted and vested during the year**

30 June 2011	Granted	Terms and Conditions for each Grant				Vested
	No.	Grant date	Value per option at grant date	Exercise price per option	Expiry Date	Number of Shares
			\$	\$		
<b>Executives</b>						
W Gearhart	166,667	22 Dec 2010	0.39	0.79	31 Dec 2015	167,667
W Gearhart	166,667	22 Dec 2010	0.46	0.79	31 Dec 2016	-
W Gearhart	166,666	22 Dec 2010	0.53	0.79	31 Dec 2017	-
P Brooker	100,000	22 Dec 2010	0.39	0.79	31 Dec 2015	100,000
P Brooker	100,000	22 Dec 2010	0.46	0.79	31 Dec 2016	-
P Brooker	100,000	22 Dec 2010	0.53	0.79	31 Dec 2017	-
	<u>800,000</u>					<u>267,667</u>

The above remuneration options were granted to the executives upon hire and promotion, respectively. Options vest ratably over a three year period with the first tranche vesting at the end of the calendar year they were granted. For details on the valuation of the options, including models and assumptions used, please refer to note 26.

Subsequent to year-end, 1,200,000 remuneration options were granted to KMP on 11 July 2011. The exercise price of the options is based on the fair market value of \$0.57 at date of grant. The options cliff vest in two equal tranches at 31 December 2011 and 30 June 2012 upon satisfaction of specific performance hurdles. The options will expire five years from vest date on 31 December 2016 and 30 June 2017, respectively. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

#### *Modifications of remuneration options*

A modification was made on 31 May 2011 to 200,000 remuneration options held by J Honeycutt to extend the expiry date from 30 June 2011 to 31 May 2012. The options have an exercise price of \$0.78 and the market price of the underlying equity instrument on the date of modification as \$0.60. An incremental expense of \$10,948 was included in share-based payments in Table 1 above.

A modification was made on 15 November 2010 to 166,667 remuneration options held by D Myll to extend the expiry date from 15 December 2010 to 15 November 2011. The options have an exercise price of \$0.78 and the market price of the underlying equity instrument on the date of modification as \$0.81. An incremental expense of \$15,581 was included in share-based payments in Table 1 above.

#### *Lapse of remuneration options*

J Honeycutt forfeited 100,000 options that had not vested on the last day of employment. These options had a value of nil and represents (nil %) of his remuneration for the year. D Myll forfeited 333,333 options that had not vested on the last day of employment. These options had a value of \$10,067. The value represents (5%) of his remuneration for the year.

The value of options forfeited during the year is calculated as the market price of shares of the Company on the ASX as at close of trading on the date the options were forfeited after deducting the price payable to exercise the option.

#### *Shares issued on exercise of remuneration options*

No shares were issued during the years ended 30 June 2011 and 30 June 2010 on the exercise of remuneration options.

#### **Hedge policy**

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

## Directors' Report

### 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:

	<b>Directors' Meetings</b>	<b>Meetings of Committees</b>		
		<b>Audit</b>	<b>Remuneration</b>	<b>Nomination</b>
Number of meetings held	14	4	5	1
Number of meetings attended:				
M Bridges	14	4	5	1
C Hirst	14	4	5	1
G Brown (i)	14	4	5	1
J Hazel	12	4	5	-
M Kriewaldt	12	2	5	1
M Panaccio	14	4	5	1

(i) G Brown attended the audit and remuneration committee meetings upon request of the Board.

### 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:

	<b>Audit Committee</b>	<b>Remuneration Committee</b>	<b>Nomination Committee</b>
M Bridges	Member	Member	<b>Chair</b>
C Hirst	Member	Member	<b>Deputy Chair</b>
J Hazel	<b>Chair</b>	Member	Member
M Kriewaldt	Member	<b>Chair</b>	Member
M Panaccio	Member	Member	Member

### Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable and where noted (\$'000)) under the option available to the Company under ASIC CO 98/100. The Company is an entity to which the Class Order applies.

## Directors' Report

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### Auditors' independence and non-audit services

The directors received the declaration on page 20 from the auditor of the Group and have resolved the auditor is independent.

#### Non-audit services

No non-audit services were provided.

Signed in accordance with a resolution of the directors.



Cherrell Hirst  
Deputy Chair

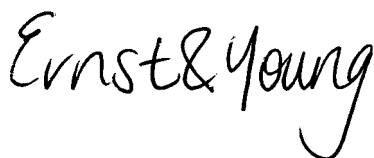


Greg Brown  
Chief Executive Officer

Brisbane, 30 August 2011

## 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 2011, 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 stylized, handwritten signature of 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature of Alison de Groot in a cursive script.

Alison de Groot  
Partner  
30 August 2011

# Corporate Governance Statement

ImpediMed Limited is committed to protecting and enhancing shareholder value. Through adopting best practice governance policies and procedures this commitment is followed up by firm actions of the Board and executive leadership of the Group. The Directors are responsible for the corporate governance practices of the Group. At a minimum, the Group strives to meet all regulatory requirements and maintain ethical standards. ImpediMed adheres to the substantive and procedural recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and recommendations (2<sup>nd</sup> edition) (Principles) as revised in August 2007. This statement sets out the main corporate governance practices of the Group that the Directors, management and employees are required to follow. Comprehensive information about the Group's corporate governance policies can be found on our website at [www.impedimed.com](http://www.impedimed.com).

## Role of the Board of Directors

The ImpediMed Limited Board of Directors (Board) is ultimately responsible for the success of the Group through setting its strategic goals, establishing resources and overseeing its management processes. Its aim is to create and deliver shareholder value by maximising the performance of the business. The primary roles of the Board include:

- Protect the interests of shareholders.
- Appoint the Chief Executive Officer and monitor performance of the Chief Executive Officer and senior Executives.
- Formulate and establish the strategic direction of the Group and monitor its execution.
- Monitor and optimise business performance in light of risks.
- Monitor the Group's implemented internal controls systems together with appropriate monitoring of compliance activities.
- Establish proper succession plans for management of the Group.
- Approve the Group's external financial reporting.

The division of responsibilities between the Board and management is set out in the Board Charter and in accordance with the approved framework of delegated authority to management. The executive team is responsible for providing the Board with quality, timely information to enable the Board to fulfil its responsibilities. A copy of the Board Charter is available on the Group's website.

***This complies with Principle 1.***

## Board composition and independence

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are included in the Directors' report. Directors of ImpediMed Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important or whether the competitive landscape, the nature of the relationship and contractual or other arrangements governing the relationship affect the ability of the director in question to shape the direction of the Company's loyalty.

ImpediMed Limited has six Directors, comprising five NED (including the Chairman) and one Executive Director. Directors (except for the Chief Executive Officer) are subject to re-election by rotation every three years. There are no maximum terms for NED appointments. The Board assesses Director independence on an annual basis, or more often if it feels it is warranted, depending on disclosures made by individual Directors.

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 approximately 3% of the ordinary shares in the Group, and Dr Michael Panaccio the Principal of Starfish Ventures is a substantial shareholder and holds approximately 16% of the ordinary shares in the Group. The CEO Greg Brown as CEO and Managing Director is also a significant shareholder with approximately 3% of the ordinary shares in the Group, and as part of management cannot be considered independent.



# Corporate Governance Statement

## Board composition and independence (continued)

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 most shareholders. Their shareholdings at stake in the Group sharpens their value for shareholders' focus.

Dr. Michael Panaccio, through his affiliation as Principal of Starfish Ventures, owns approximately 16% of the Group and has been a significant investor in the Company since 2007. The Board is satisfied that Dr. Panaccio is able to operate independently as a Director; and is satisfied, through his demonstrated history of participation in direct and forthright Board debates and decisions, that there is no interference with the independent exercise of his judgement. Dr. Panaccio provides valuable guidance to the Board and management, and thus the shareholders, on capital raising matters.

The Chairman, Mr. Mel Bridges, is independent and highly experienced at leading the Board by facilitating the effective contribution of all Directors and promoting constructive and respectful relations among the Board members and management. Mr. Bridges knowledge of the biotech industry is of considerable value to management and thus the shareholders.

The Company has utilised proper meeting procedures to provide all members of the Board the opportunity to put forward views and discuss issues in a constructive environment. To assist that Board members are properly informed on relevant issues in a timely manner, detailed Board papers are prepared and distributed. Draft minutes of meetings are circulated within a reasonable period after each meeting allowing for proper follow up and informed reporting of issues discussed and resolutions passed at Board meetings. Directors must advise the Board immediately of any interests that could potentially conflict with those of ImpediMed.

The roles of Chairman and Chief Executive Officer are exercised by different individuals, providing for clear division of responsibility at the head of the Group. Their roles and responsibilities, and the division of responsibilities between them, are clearly defined and understood and there is regular communication between them.

Any Director may take such independent legal, financial or other advice as they consider necessary at the Company's cost. Any Director seeking independent advice must first discuss the request with the Chairman who will facilitate obtaining such advice.

The Board notes that the current Board is the Board in place at the time of listing.

The Board has a Nomination Committee, constituted by all NED members of the Board.

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

For additional details regarding Board appointments, please refer to our website.

***The Company's Board structure is compliant with Principles 2.1, 2.2, 2.3 and 2.4.***

## Review of board performance

The Board performs an annual self review of Board performance and is in the process of completing the 2011 annual assessment. This involves a self assessment of Board performance, its committees and individuals which requires the completion and evaluation of detailed questionnaires on business and management matters. The results of this assessment will be reviewed by the Board and will be used to establish new performance objectives.

## Access to information

To help Directors maintain their understanding of the business and to assess business performance, Directors are briefed regularly by members of the Executive team. Directors also have access to other employees at all levels. Directors receive comprehensive monthly reports from management and have unrestricted access to Group records and information. All Directors have direct access to the Company Secretary who is accountable to the Board on all corporate governance matters.

## Corporate Governance Statement

### Board committees

ImpediMed's Board has established three standing committees to assist in meeting its responsibilities — the Audit Committee, the Remuneration Committee and the Nomination Committee. These committees review matters on behalf of the Board and make recommendations for consideration by the entire Board. Copies of the charters of these committees can be accessed from our website.

#### Remuneration Committee

The Board has established a Remuneration Committee, which operates under a charter approved by the Board. The Remuneration Committee comprises the following NED:

- Martin Kriewaldt (Chairman)
- Mel Bridges
- Jim Hazel
- Cherrell Hirst
- Michael Panaccio

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration arrangements for NED and executives; equity, superannuation and retirement arrangements; recruitment, retention and performance measurement policies and procedures; and public disclosures regarding remuneration. Particulars concerning Directors' and Executives' remuneration and the Group's equity incentive plans are set out in the Directors' Report and in the notes to the financial statements. For additional detail regarding the Remuneration Committee including its charter please refer to our website.

For detail of Directors' attendance at meetings of the Remuneration Committee, refer to the Directors' Report.

***The Remuneration Committee complies with Principles 8.1, 8.2 and 8.3.***

#### Audit & Risk Management Committee

The Board has established an Audit & Risk Management Committee which operates under a charter approved by the Board and meets regularly throughout the year. The Audit & Risk Management Committee comprises the following NED:

- Jim Hazel (Chairman)
- Mel Bridges
- Cherrell Hirst
- Martin Kriewaldt
- Michael Panaccio

The members of the Audit & Risk Management Committee have significant financial, business, and legal backgrounds, expertise and qualifications. The full particulars of each member's relevant experience and qualifications, and other relevant matters are contained in the Directors' report.

The Audit & Risk Management Committee advises the Board on issues surrounding the integrity of financial information presented to the Board and shareholders, including the review of audit engagements and controls. The Audit & Risk Management Committee also advises the Board and makes recommendations in relation to policy and procedures, business risks and mitigation, related party transactions and the application of the principles of corporate governance. The Committee seeks to monitor the independence of the external auditor. It pre-approves any appropriate non-audit services to be performed by the audit firm which do not impair or provide the reasonable perception of possible impairment of the auditor's judgement or independence. For additional detail regarding the Audit & Risk Management Committee including its charter please refer to our website.

For detail of Directors' attendance at meetings of the Audit & Risk Management Committee, refer to the Directors' Report.

***The Audit & Risk Management Committee structure and charter comply with Principles 4.2 and 4.3.***

# Corporate Governance Statement

## Board committees (continued)

### Nomination Committee

The Board has established a Nomination Committee which operates under a charter approved by the Board and meets as needed each year. The Nomination Committee comprises the following NED:

- Mel Bridges (Chairman)
- Jim Hazel
- Cherrell Hirst
- Martin Kriewaldt
- Michael Panaccio

The Nomination Committee advises the Board on the performance of the Board and, when necessary, on selecting candidates to serve on the Group's Board. The Nomination Committee worked with key management personnel to develop the diversity policy of the Group during 2011.

For additional detail regarding the Nomination Committee including its charter please refer to our website.

Attendance at meetings during the year is set out in the Directors' Report.

***The Nomination Committee structure and functions comply with Principles 2.4.***

## Risk management

The Group continues its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Group's approach to creating long-term shareholder value. In recognition of this, the Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and internal compliance and internal control policies.

The Board, together with the Audit & Risk Management Committee, oversees management's implementation of these risk management processes. In particular, they oversee:

- The principal strategic, operational and financial risks are identified.
- Effective systems are in place to monitor and, if appropriate, manage risks.
- Reporting systems, internal controls and arrangements for monitoring compliance with laws and regulations are adequate.
- Procedures requiring that significant capital and operating expenses are approved at an appropriate level of management or by the Board.

The Audit & Risk Management Committee oversees a semi-annual assessment of the effectiveness of risk management and internal compliance and control, with more frequent reporting to the Board as necessary. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management through the Chief Executive Officer, including responsibility for the day to day design and implementation of the Group's risk management and internal control system. Management reports to the Board on the Group's key risks and the extent to which it believes these risks are being adequately managed. Management is required by the Board to carry out risk assessments of all specific management activities including strategic risk, operational risk, reporting risk, compliance and regulatory risk and funding risk. It is then required to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of these efforts.

The Board approved the strategic plan, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk. The risks inherent in that strategic plan are identified and where appropriate, risk management strategies and operational procedures are developed. The Board monitors managements' performance against the plan.

The major risks facing the Group are:

- The availability of capital.
- The regulatory environment, particularly in the U.S.
- Rate of placements of L-Dex device leases or PSAs with clinicians.

***The risk oversight policies and practices comply with Principles 7.1 and 7.2.***

## Corporate Governance Statement

### Code of conduct

The Board has endorsed a formal code of conduct for Directors, management and staff, which is available on our website.

***This code of conduct complies with the obligations in ASX Corporate Governance Council Principles 3.1.***

### Share trading

The Board has set the following rules relating to trading in the Company's securities by Directors, employees, advisors and consultants and related parties (spouses, de facto spouses, parents and children):

- Short term trading of the Company's securities is prohibited.
- Buying or selling of the Company's securities at a time when in possession of material non-public information is prohibited.
- Clearance, prior to buying or selling, with the Chairman or Chief Executive to check that the Group has not recently acquired material non-public information.
- Notification of the Company's Secretary or Chief Financial Officer in advance of any intended transactions involving the Company's securities.
- Buying or selling securities in the Company is restricted to the 30 day period immediately following the following events:
  - Release of yearly results to the ASX
  - Release of half yearly results to the ASX
  - The Annual General Meeting
  - Lodges a disclosure statement with the ASIC

***The share trading policy complies with ASX Corporate Governance Council Principle 3.2.***

### Reporting to stakeholders

The Board is committed to keeping shareholders and other stakeholders informed in a timely manner of material developments that affect the Company. The Company disclosure policy is supported by formal policy and procedures on continuous and periodic disclosure in compliance with ASX and Corporations Act obligations. All Company announcements, presentations to analysts and other significant briefings are posted on the Company's website after release to ASX.

***The Company's policies and procedures comply with Principles 5 and 6.1.***

### Certifying financial reports

In accordance with section 295A of the Corporations Act, the Chief Executive Officer and Chief Financial Officer certify in respect of the half yearly financial results and the full yearly financial results that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and results and are in accordance with relevant accounting standards.

As part of this certification, the CEO and CFO confirm that there is a sound system of risk management and internal compliance and the control system is operating efficiently in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

***This complies with Principles 7.2 and 7.3.***

# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$000	2010 \$000
<b>Continuing operations</b>			
Sale of goods	7	3,702	3,436
Rendering of services		185	203
Finance income	7	285	168
Revenue		4,172	3,807
Cost of goods sold		(1,656)	(1,609)
Other income	8	84	52
Other finance costs		(13)	(1)
Salaries and benefits	9	(6,198)	(5,707)
Research and development		(1,379)	(1,265)
Administrative and governance	9	(4,217)	(1,075)
Consultants and professional fees		(2,196)	(1,951)
Depreciation and amortisation	9	(589)	(666)
Advertising and promotion		(499)	(165)
Rent and property expenses		(377)	(373)
Travel expenses		(826)	(781)
Share-based payments	26	(577)	(851)
Other expenses		(551)	(817)
<b>Loss from continuing operations before income tax</b>		(14,822)	(11,402)
Income tax	10	-	-
<b>Loss from continuing operations after income tax</b>		(14,822)	(11,402)
<b>Net loss for the period</b>		(14,822)	(11,402)
<b>Other comprehensive income (loss)</b>			
Foreign currency translations		(747)	(360)
<b>Other comprehensive loss for the period, net of tax</b>		(747)	(360)
<b>Total comprehensive loss for the period</b>		(15,569)	(11,762)
		2011 \$	2010 \$
Basic and diluted loss per share	12	(0.10)	(0.10)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

# Balance Sheet

AS AT 30 JUNE 2011

	Notes	as at 30 June 2011 \$000	as at 30 June 2010 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	17,899	18,789
Trade and other receivables	14	673	773
Inventories	15	1,277	1,375
Restricted cash		31	-
Other current assets		334	257
<b>Total current assets</b>		<b>20,214</b>	<b>21,194</b>
<b>Non-current assets</b>			
Other financial assets	16	88	140
Plant and equipment	17	425	539
Intangible assets	18	367	920
Goodwill	18	1,711	2,117
<b>Total non-current assets</b>		<b>2,591</b>	<b>3,716</b>
<b>TOTAL ASSETS</b>		<b>22,805</b>	<b>24,910</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	19	1,351	1,746
Provisions	20	624	783
<b>Total current liabilities</b>		<b>1,975</b>	<b>2,529</b>
<b>Non-current liabilities</b>			
Provisions	20	147	151
<b>Total non-current liabilities</b>		<b>147</b>	<b>151</b>
<b>TOTAL LIABILITIES</b>		<b>2,122</b>	<b>2,680</b>
<b>NET ASSETS</b>		<b>20,683</b>	<b>22,230</b>
<b>EQUITY</b>			
Issued capital	21	98,004	84,559
Reserves	22	2,812	2,982
Accumulated losses		(80,133)	(65,311)
<b>TOTAL EQUITY</b>		<b>20,683</b>	<b>22,230</b>

The above balance sheet should be read in conjunction with the accompanying notes.



# Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$000	2010 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers		3,824	3,668
Payments to suppliers and employees		(15,086)	(14,197)
Interest received		290	141
Other (paid) received		(327)	2
<b>Net cash flows used in operating activities</b>	13	<b>(11,299)</b>	<b>(10,386)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		-	(70)
Purchase of Intangible assets		-	(6)
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>(76)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		14,280	24,513
Transaction costs from capital raising		(835)	(1,439)
<b>Net cash flows from financing activities</b>		<b>13,445</b>	<b>23,074</b>
Net increase (decrease) in cash and cash equivalents		2,146	12,612
Net foreign exchange differences		(3,036)	(457)
Cash and cash equivalents at beginning of period		18,789	6,634
<b>Cash and cash equivalents at end of period</b>	13	<b>17,899</b>	<b>18,789</b>

The above cash flow statement should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

	Issued capital \$000	Reserves \$000	Accumulated losses \$000	Total \$000
<b>At 30 June 2009</b>	61,485	2,491	(53,909)	10,067
Loss for the period	-	-	(11,402)	(11,402)
Other comprehensive loss	-	(360)	-	(360)
Total comprehensive loss for the period	-	(360)	(11,402)	(11,762)
<b>Equity Transactions:</b>				
Share-based payment	-	851	-	851
Allotment of ordinary shares	24,513	-	-	24,513
Costs of capital raising	(1,439)	-	-	(1,439)
	<b>84,559</b>	<b>2,982</b>	<b>(65,311)</b>	<b>22,230</b>
<b>At 30 June 2010</b>				
Loss for the period	-	-	(14,822)	(14,822)
Other comprehensive loss	-	(747)	-	(747)
Total comprehensive loss for the period	-	(747)	(14,822)	(15,569)
<b>Equity Transactions:</b>				
Share-based payment	-	577	-	577
Allotment of ordinary shares	14,280	-	-	14,280
Costs of capital raising	(835)	-	-	(835)
	<b>98,004</b>	<b>2,812</b>	<b>(80,133)</b>	<b>20,683</b>
<b>At 30 June 2011</b>				

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

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# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 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.

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.

### 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 sales 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 2011. As a result, no impairment has been formally estimated and no impairment loss has been recognised for this financial period. Refer to Note 18 for the complete details regarding impairment testing.

#### *Operating lease commitments – Group as lessor*

The Group has entered into leases with certain customers 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 un-recouped 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, 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.

### 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 18.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 1. Significant accounting judgements, estimates and assumptions (continued)

### Significant accounting estimates and assumptions (continued)

#### *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 Australian 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. The related carrying amounts are disclosed in Note 20.

#### *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 20.

#### *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 17.

## 2. Summary of significant accounting policies

### (a) Basis of preparation

The financial report of the Group for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 30 August 2011.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

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 thousand dollars (\$000) unless otherwise stated.

#### **Compliance with IFRS**

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

### (b) Going Concern

This report has been prepared on the basis that the Group is a going concern. The Group has net assets of \$20.7 million (30 June 2010: \$22.2 million) and realised a loss after income tax of \$14.8 million for the year ended 30 June 2011 (30 June 2010: \$11.4 million).

The Directors also note that operating plans have been set such that cash on hand at the date of signing is expected to last in excess of 12 months from the dated issue of the financial report.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 2. Summary of significant accounting policies (continued)

### (b) Going concern (continued)

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

#### *Changes in accounting policy and disclosures*

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2010. The adoption of these Accounting Standards did not have a material impact on the Group's consolidated financial statements.

- AASB 2009-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* [AASB 5, 8, 101, 107, 117, 118, 136 & 139]
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions* [AASB 2, IFRS 2]

#### *Accounting standards and interpretations issued but not yet effective*

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 ended 30 June 2011. The Group does not believe that there will be a material financial impact to either the statement of comprehensive income or the balance sheet once these accounting standards are adopted. These are outlined in the table below:

Reference	Title	Application date of standard*	Application date for Group*
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	1 January 2013	1 July 2013
AASB 9	Financial Instruments	1 January 2013	1 July 2013
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 1034 and Interpretations 13]	1 January 2011	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 11, 127, 132 & 1042]	1 January 2011	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	1 January 2013	1 July 2013
AASB 124 (revised)	Related Party Disclosures (December 2009)	1 January 2011	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and interpretations 2, 4, 16, 1039 & 1052]	1 January 2011	1 July 2011

\* Designates the beginning of the applicable annual reporting period.



# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 2. Summary of significant accounting policies (continued)

### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of ImpediMed Limited and its subsidiaries (as outlined in note 23) as at and for the period ending 30 June each year (the Group).

The financial statements of the subsidiaries are prepared on the same reporting period as the parent company, using consistent accounting policies. 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.

### (e) Business combinations – refer to note 29

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

### (f) Operating segments – refer to note 6

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision maker – being the Chief Executive Officer.

The group aggregates two or more operating segments when they have similar economic characteristics and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 2. Summary of significant accounting policies (continued)

#### (f) Operating segments – refer to note 6 (continued)

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

#### (g) Foreign currency translation

##### *Functional and presentation currency*

Both the functional and the presentation currency of the parent are Australian dollars (\$) or AUD). The United States subsidiaries' functional currency is United States dollars (USD) which is translated to the presentation currency.

##### *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.

##### *Translation of Group Companies functional currency to presentation currency*

The results of the United States subsidiaries are translated into Australian Dollars (presentation currency) as at the date of each transaction. Assets and liabilities 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.

On consolidation, exchange differences arising from the translation of the net investment in United States subsidiaries are taken to the foreign currency translation reserve. If a United States subsidiary were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of comprehensive income.

#### (h) Cash and cash equivalents – refer to note 13

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.

#### (i) Trade and other receivables – refer to note 14

Trade receivables, which generally have 30-60 day terms, are recognised at fair value 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 generally considered objective evidence of impairment.

#### (j) Inventories – refer to note 15

Inventories including raw materials 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 is accounted for as 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), if applicable. Volume discounts and rebates are included in determining the cost of purchase.

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.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 2. Summary of significant accounting policies (continued)

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

Non-current assets are 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.

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.

### (l) Investments and other financial assets – refer to note 16

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 has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it de-recognises the asset if it has transferred control of the asset.

#### *Subsequent Measurements - 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 and equipment – refer to note 17

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. All other repairs and maintenance are recognised in profit or loss as incurred.

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

Equipment	2 - 10 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 2011

## 2. Summary of significant accounting policies (continued)

### (n) Leases – refer to note 17 & 27

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.

#### *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 statement of comprehensive income 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.

#### *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. When material, 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 18

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 to note 18

#### *Goodwill*

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired, and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit and loss.

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

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 2. Summary of significant accounting policies (continued)

#### (p) Goodwill and intangibles (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB 8. The goodwill of the Group is allocated to the Medical cash generating unit.

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

The Group performs its impairment testing as at 30 June each year and more frequently if indicators of impairment exist, using a value in use, discounted cash flow methodology. Further details on the methodology and assumptions used are outlined in Note 18.

When the recoverable amount of the cash-generating unit or group of 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 or 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 lives 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 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.

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 2. Summary of significant accounting policies (continued)

#### (p) Goodwill and intangibles – refer to note 18 (continued)

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

	<i>Patents and Licences</i>	<i>Development Costs (i)</i>
Useful lives	Finite	Finite
Method used	Amortised over the period of expected future benefit from the related project on a straight-line basis.	Amortised over the period of expected future benefit from the related project on a straight-line basis.
Internally generated/ Acquired	Acquired	Internally generated
Impairment test/ Recoverable amount test	When an indication of impairment exists	When an indication of impairment exists.

- (i) No development costs have been capitalised as internally generated intangible assets for the years ending 30 June 2011 and 30 June 2010. No such amounts are recorded at the balance sheet dates.

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.

Expenditures on advertising and promotional expenses are recognised in the statement of comprehensive income when the Group has either the right to access the goods or has received the services.

#### (q) Trade and other payables – refer to note 19

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) Provisions and employee benefits – refer to note 20

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of economic benefit 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 statement of comprehensive income 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 reporting 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, and superannuation payments 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.



# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 2. Summary of significant accounting policies (continued)

### (r) Provisions and employee benefits – refer to note 20 (continued)

#### *Long service leave*

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

### (s) Share-based payment transactions – refer to note 26

#### *Equity-settled transactions*

The Group provides benefits to employees (including key management personnel (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 types of plans in place to provide these benefits:

- the Employee Share Options Plans (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 of the equity instruments at the date at which they are granted. The fair value is determined by a Black-Scholes 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 statement of comprehensive income 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 statement of comprehensive income 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 awards 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.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 2. Summary of significant accounting policies (continued)

### (t) 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.

### (u) Revenue recognition – refer to note 6 and 7

#### *Revenue*

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 direct sales of devices and consumables is recognised when there is persuasive evidence, usually in the form of a purchase order or an executed sales agreement at the time of shipment of goods to the consumer 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 when the service has been performed and the obligation is due from 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.

### (v) Income tax and other taxes – refer to note 10

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 reporting date.

Deferred income tax is provided on all temporary differences at the reporting 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 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.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 2. Summary of significant accounting policies (continued)

### (v) Income tax and other taxes – refer to note 10 (continued)

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 in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting 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 reporting 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 reporting 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.

### (w) 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 statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 2. Summary of significant accounting policies (continued)

#### (x) Earnings per share – refer to note 12

Basic earnings per share is 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 is currently not applicable to the Group due to the net carrying loss, is 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.

#### (y) 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

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits.

#### Risk exposures and responses

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 Group manages its exposure to 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 while protecting future financial security. The Board reviews and agrees to policies for managing these risks which are summarised below.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, foreign currency risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 3. Financial risk management objectives and policies (continued)

#### (a) Interest rate risk

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

	2011 \$000	2010 \$000
<b>Financial Assets</b>		
Cash and cash equivalents*	17,899	18,789
Restricted cash, current and non-current	102	119
	<b>18,001</b>	<b>18,908</b>
 <b>Net exposure</b>	 <b>18,001</b>	 <b>18,908</b>

\*Cash and cash equivalents include \$1.9 million (U.S. \$2.0 million) held in a 30 day term deposit account; \$8.5 million (U.S. \$9.0 million) held in a 90 day term deposit account; and \$3.5 million held in a 91 day term deposit account at 30 June 2011 (2010: \$13.4 million (U.S. \$11.5 million) held in a 30 day term deposit account and \$1.1 million (U.S. \$1.0 million) held in a 10 day term deposit account). During this financial period the interest rate was earned at a fixed rate. The remainder of the balance is exposed to variable interest rates.

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 consistently 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 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and other comprehensive loss would have been affected as follows:

Judgments of reasonably possible movements:	Post Tax Loss Higher/(Lower)	
	2011 \$000	2010 \$000
+1.0% (100 basis points)	172	189
-0.5% (50 basis points)	(67)	(95)

The movements in loss are due to higher/lower interest income from variable rate cash balances.

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 relationships with financial institutions and economic forecaster's expectations.
- The net exposure at the balance sheet date is representative of what the Group was and is expecting to be exposed to in the next twelve months from the balance sheet date.

#### (b) Foreign currency risk

As a result of operations in the United States and purchases of inventory denominated in United States dollars, the Group's balance sheet can be affected by movements in the USD/AUD exchange rates. The Group has transactional currency exposure resulting from 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). The Group does not enter into any forward contracts or any other instrument to hedge the currency exposure, as the Group maintains a significant portion of available funds in USD to match USD expected expenses.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 3. Financial risk management objectives and policies (continued)

### (b) Foreign currency risk (continued)

At 30 June 2011, the Group had the following exposure to foreign currency:

	2011 \$000	2010 \$000
<b>Financial Assets</b>		
Cash and cash equivalents – USD	11,807	14,602
Trade and other receivables – USD	51	11
Trade and other receivables – EUR*	36	18
Trade and other receivables – GBP**	7	3
	<b>11,901</b>	<b>14,634</b>
<b>Financial Liabilities</b>		
Trade and other payables – USD	137	133
Trade and other payables – EUR	29	7
Trade and other payables – GBP	4	17
	<b>170</b>	<b>157</b>
Net exposure	<b>11,731</b>	<b>14,477</b>

\*EUR is Euro

\*\*GBP is Great Britain Pound

At 30 June 2011, had the Australian dollar moved against the U.S. dollar, as illustrated in the table below, with all other variables held constant, post tax loss would have been affected as follows:

Judgments of reasonably possible movements:	Post tax loss (Higher)/Lower	
	2011 \$000	2010 \$000
AUD to USD +15% (2010: +10%)	(1,537)	(1,448)
AUD to USD -15% (2010: -5%)	2,063	724

The Group maintains these funds to match USD expected expenses.

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 forecasters' expectations.
- The reasonably possible movement was calculated by taking the USD spot rates at balance date, moving this spot rate by the reasonably possible movements and then re-converting the USD into AUD with the "new spot-rate". This methodology reflects the translation methodology undertaken by the Group.
- 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.
- The sensitivity analysis does not include financial instruments that are non-monetary items as these are not considered to give rise to currency risk.

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

### (c) 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 does not hold any credit derivatives to offset its credit exposure.

The Group seeks to trade only with recognised, 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.

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



## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 3. Financial risk management objectives and policies (continued)

#### (c) Credit risk (continued)

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, except for term deposits maintained at one financial institution.

The Parent has a policy of lending to its wholly owned subsidiaries ensuring their continued operations. The subsidiaries are continually monitored and should there be any risk that they are unable to repay the debt appropriate steps will be taken to remedy this situation.

#### (d) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. The Group has no bank overdrafts or bank loans at 30 June 2011.

The table below reflects all contractually fixed payments and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2011. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2011.

#### Maturity analysis of financial assets and liabilities

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.

Liquid assets comprising cash and cash equivalents, restricted cash, trade and other receivables, and other financial assets are considered in the Group's overall liquidity risk. The Group monitors that sufficient liquid assets are available to meet all the required short-term cash payments.

Year ended 30 June 2011	≤ 6 months \$000	6-12 months \$000	1-5 years \$000	Total \$000
<b>Liquid financial assets</b>				
Cash and cash equivalents	17,899	-	-	17,899
Restricted cash	31	-	71	102
Trade and other receivables	673	-	-	673
Other financial assets	-	-	17	17
	<b>18,603</b>	<b>-</b>	<b>88</b>	<b>18,691</b>
<b>Financial liabilities</b>				
Trade and other payables	1,351	-	-	1,351
<b>Net inflow/(outflow)</b>	<b>17,252</b>	<b>-</b>	<b>88</b>	<b>17,340</b>

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 3. Financial risk management objectives and policies (continued)

### (d) Liquidity risk (continued)

Year ended 30 June 2010	≤ 6 months \$000	6-12 months \$000	1-5 years \$000	Total \$000
<b>Liquid financial assets</b>				
Cash and cash equivalents	18,789	-	-	18,789
Restricted cash	-	-	119	119
Trade and other receivables	773	-	-	773
Other financial assets	-	-	21	21
	<u>19,562</u>	<u>-</u>	<u>140</u>	<u>19,702</u>
<b>Financial liabilities</b>				
Trade and other payables	1,746	-	-	1,746
<b>Net inflow/(outflow)</b>	<u>17,816</u>	<u>-</u>	<u>140</u>	<u>17,956</u>

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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
<b>Financial assets</b>				
Cash and cash equivalents	17,899	18,789	17,899	18,789
Restricted cash	102	119	102	119
Trade and other receivables	673	773	673	773
Other financial assets	17	21	17	21
	<u>18,691</u>	<u>19,702</u>	<u>18,691</u>	<u>19,702</u>
<b>Financial liabilities</b>				
Trade and other payables	1,351	1,746	1,351	1,746
	<u>1,351</u>	<u>1,746</u>	<u>1,351</u>	<u>1,746</u>

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/or 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.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 5. Parent entity information

Information relating to ImpediMed Limited:	2011 \$000	2010 \$000
Current assets	20,089	20,826
Total assets	23,319	23,811
Current liabilities	699	1,260
Total liabilities	793	1,335
Issued capital	98,004	84,559
Accumulated losses	(78,895)	(64,923)
Performance share reserve	289	287
Share option reserve	3,129	2,553
Total shareholders' equity	22,526	22,476
Loss of the parent entity	(13,972)	(9,406)
Total comprehensive loss of the parent entity	(13,972)	(9,406)

The Parent has not entered into any guarantees in relation to the debts of its subsidiaries. The Parent has not entered into any contractual commitments for the acquisition of property, plant or equipment.

Details of any operating leases are described in note 27 and contingent liabilities of the Parent are described in note 28.

## 6. Segment reporting

### (a) Operating segments

#### Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management according to the nature of the products and services provided, as the Group's risks and returns are affected predominantly by differences in the products produced and services provided. Discrete financial information about each of these operating businesses is reported to the Chief Executive Officer on at least a monthly basis. Secondary segment information is reported geographically.

#### Types of products and services

##### *Medical*

The Medical segment is a supplier of non-invasive medical devices to two under-served markets: (1) aid in the clinical assessment of individuals at risk of secondary lymphoedema and (2) the monitoring of body composition and hydration. The medical CGU is the core business of the Group and is the main strategic operating segment.

##### *Test & Measurement*

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

#### Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 and are consistent with the prior period.

Segment results, assets and liabilities include items directly attributable to a segment and certain allocated corporate charges. Corporate charges comprise non-segmental expenses such as office expenses. Corporate charges are allocated to each business segment on a proportionate basis linked to segment headcount and square footage so as to determine a segmental result.

Inter-entity sales are recognised based on internally set transfer prices. The prices aim to reflect what the business operation could achieve if they sold their output and services to external parties at arm's length.

Segment loans are initially recognised at the consideration received excluding transaction costs.

#### Major customers

The Group has a number of customers to which it provides both products and services. No one customer accounts for more than 10% of the Group's revenues.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 6. Segment reporting (continued)

### (a) Operating segments (continued)

#### Segment results

On a monthly basis the Chief Executive Officer assesses the performance of each segment by analysing the segment's net operating profit before depreciation and amortisation, finance cost, and tax (EBITDA). Segment revenues, segment expense and segment results include transfers between business segments. Those transfers are eliminated upon consolidation.

Year ended 30 June 2011	Medical \$000	Test & Measurement \$000	Total \$000
<b>Revenue</b>			
Device revenue	1,446	1,495	2,941
Operating lease revenue	486	5	491
Consumable revenue	270	-	270
Rendering of services	38	147	185
<b>Total segment revenue</b>	<b>2,240</b>	<b>1,647</b>	<b>3,887</b>
Unallocated revenue – finance income			285
<b>Total consolidated revenue</b>			<b>4,172</b>
<b>Result</b>			
Segment results	(14,366)	(63)	(14,429)
Depreciation and amortisation expenses	(662)	(3)	(665)
Finance costs	(1)	(12)	(13)
<b>Profit/(loss) before income tax</b>	<b>(15,029)</b>	<b>(78)</b>	<b>(15,107)</b>
Income tax expense			-
<b>Net profit (loss) for the year</b>			<b>(15,107)</b>
Unallocated results			285
			<b>(14,822)</b>
<b>Assets and liabilities</b>			
Segment assets	21,830	975	22,805
Unallocated assets			-
<b>Total assets</b>			<b>22,805</b>
Segment liabilities	1,432	236	1,668
Unallocated liabilities			454
<b>Total liabilities</b>			<b>2,122</b>
<b>Other segment information</b>			
Capital Expenditure	-	-	-
Write-down in value of inventories	81	18	99

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 6. Segment reporting (continued)

### (a) Operating segments (continued)

Year ended 30 June 2010	Medical \$000	Test & Measurement \$000	Total \$000
<b>Revenue</b>			
Device revenue	1,501	1,305	2,806
Device operating lease revenue	415	7	422
Consumable revenue	183	25	208
Rendering of services	39	164	203
<b>Total segment revenue</b>	<b>2,138</b>	<b>1,501</b>	<b>3,639</b>
Unallocated revenue – finance income			168
<b>Total consolidated revenue</b>			<b>3,807</b>
<b>Result</b>			
Segment results	(10,688)	(144)	(10,832)
Depreciation and amortization expenses	(729)	(8)	(737)
Finance costs	(1)	-	(1)
<b>Profit (loss) before income tax</b>	<b>(11,418)</b>	<b>(152)</b>	<b>(11,570)</b>
Income tax expense	-	-	-
<b>Net profit (loss) for the year</b>	<b>(11,418)</b>	<b>(152)</b>	<b>(11,570)</b>
Unallocated revenue			168
<b>Total consolidated net profit (loss) for the year</b>			<b>(11,402)</b>
<b>Assets and liabilities</b>			
Segment assets	24,001	909	24,910
Unallocated assets			-
<b>Total assets</b>			<b>24,910</b>
Segment liabilities	1,761	372	2,133
Unallocated liabilities			547
<b>Total liabilities</b>			<b>2,680</b>
<b>Other segment information</b>			
Capital Expenditure	72	4	76
Write-down in value of inventories	35	15	50

### (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 2011 and 30 June 2010.

#### Australia

Australia is the corporate home office of the Group and the domicile of its main assets, research and product development activities, contract manufacturing of devices and corporate services. It primarily sells and ships Medical CGU products to customers located in Australia and the rest of the world excluding the United States.

#### North America

The Group's North American office serves as an operational hub and is located in San Diego, California. It sells and ships Medical CGU products to customers located in the United States and test and measurement products and services to customers located throughout the world.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 6. Segment reporting (continued)

### (b) Geographical segments

Year ended 30 June 2011	Australia \$000	North America \$000	Total \$000
<b>Revenue</b>			
Device sales	1,300	1,641	2,941
Device operating leases	66	425	491
Consumable sales	144	126	270
Service revenue	37	148	185
<b>Total segment revenue</b>	<b>1,547</b>	<b>2,340</b>	<b>3,887</b>
Unallocated revenue			285
<b>Total consolidated revenue</b>			<b>4,172</b>
<b>Other segment information</b>			
Non-current assets	153	2,438	2,591
<b>Year ended 30 June 2010</b>	<b>Australia \$000</b>	<b>North America \$000</b>	<b>Total \$000</b>
<b>Revenue</b>			
Device operating leases - external customers	934	1,872	2,806
Device operating leases - external customers	69	353	422
Consumable sales - external customers	83	125	208
Service revenue - external customers	29	174	203
<b>Total segment revenue</b>	<b>1,115</b>	<b>2,524</b>	<b>3,639</b>
Unallocated revenue			168
<b>Total consolidated revenue</b>			<b>3,807</b>
<b>Other segment information</b>			
Non-current assets	316	3,400	3,716

## 7. Revenue

	2011 \$000	2010 \$000
<b>Sale of goods</b>		
Device sales	2,941	2,806
Consumable sales	270	208
Device operating leases	491	422
	<b>3,702</b>	<b>3,436</b>
<b>Finance income</b>		
Interest income – bank deposits	125	147
Interest income – term deposits	160	21
	<b>285</b>	<b>168</b>



## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 8. Other income

	2011 \$000	2010 \$000
Royalty income	84	52
	<b>84</b>	<b>52</b>

### 9. Expenses

#### Depreciation and amortisation included in statement of comprehensive income

	2011 \$000	2010 \$000
Depreciation of property and equipment	70	83
Depreciation of demo and loan devices	73	9
Amortisation of leasehold improvements	42	42
Amortisation of patents and licenses	225	325
Amortisation of software	179	207
	<b>589</b>	<b>666</b>
Depreciation of operating lease devices(i)	76	71
	<b>665</b>	<b>737</b>

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

#### Employee benefits expense

	2011 \$000	2010 \$000
Wages and salaries	5,016	4,252
Superannuation	214	232
Annual leave & long service leave	246	142
Motor vehicle novated lease payments	80	169
Payroll tax	323	345
Performance & sales bonus	300	558
Other employee benefits	19	9
Total salaries and benefits	<b>6,198</b>	<b>5,707</b>
Share-based payments	507	766
	<b>6,705</b>	<b>6,473</b>

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 9. Expenses (continued)

### Administrative and governance fees

The following items are included in administrative and governance fees.

	2011	2010
	\$000	\$000
Net loss on property and equipment	2	3
Unrealized loss on foreign exchange	2,898	167

## 10. Income tax

### Income tax expense

The major components of income tax are:

	2011	2010
	\$000	\$000
<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 Statement of comprehensive income	-	-

### Statement of comprehensive income disclosure

	2011	2010
	\$000	\$000
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 income tax	(14,822)	(11,402)
Prima facie tax on profit/(loss)	(4,447)	(3,421)
Adjustment for current income tax of previous years		
Expenditure not allowable for income tax purposes	2,613	1,030
Other assessable income	15	3
Non assessable income	(9)	(10)
Other deductible expenses	(1,657)	(761)
Foreign tax rate adjustment	(683)	(662)
Temporary differences on tax losses not recognised	4,168	3,853
Unrecognised tax losses offset against taxable income	-	(32)
<b>Income tax reported in the statement of comprehensive income</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 10. Income tax (continued)

### Deferred tax disclosures

Deferred income tax at 30 June relates to the following:

	Balance Sheet		Statement of Comprehensive Income	
	2011	2010	2011	2010
	\$000	\$000	\$000	\$000
<b>Deferred tax assets</b>				
Doubtful debts	28	32	-	-
Employee entitlements	137	298	-	-
s40-880 costs	654	762	-	-
Patents and license costs	401	479	-	-
Sundry creditors and accruals	55	39	-	-
Losses available for offset against future taxable income	17,492	15,044	-	-
Revenue received in advance	6	-	-	-
Inventory and other provisions	101	210	-	-
Unrealised foreign exchange losses	870	169	-	-
<b>Deferred tax liabilities</b>				
Income not derived for tax purposes	(14)	(10)	-	-
Property, plant and equipment	(63)	-	-	-
	19,667	17,023	-	-
Deferred tax assets not recognisable	(19,667)	(17,023)	-	-
<b>Net deferred tax balance per accounts</b>	-	-	-	-

### Tax losses

The Group has tax losses in Australia of \$32.5 million (2010: \$29.6 million) and tax losses in the United States of USD21.0 million (2010: USD13.6 million) that are available 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.

## 11. Dividends paid and proposed

There were no dividends paid or proposed during the current reporting period or in the prior year.

## 12. Earnings per share

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 (in thousands except for share data):

	2011	2010
	\$000	\$000
Net loss used in calculating basic and diluted earnings per share	(14,822)	(11,402)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	146,441,939	113,811,144
	\$	\$
Basic and diluted earnings per share	(0.10)	(0.10)

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 12. Earnings per share (continued)

Subsequent to the close of the current reporting year, the Board has resolved to issue 1,200,000 options to purchase ordinary shares to KMP under the U.S. ESOP plan.

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 currently making losses.

## 13. Current assets - cash and cash equivalents

	2011 \$000	2010 \$000
Cash at bank and in hand	2,667	4,192
Short term deposits	15,232	14,597
<b>Cash and cash equivalents</b>	<b>17,899</b>	<b>18,789</b>

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

	2011 \$000	2010 \$000
Net loss after tax	(14,822)	(11,402)
<i>Adjustments for:</i>		
Depreciation and amortisation expense	665	737
Share-based payment expense	577	851
Amounts set aside to provisions	85	43
Unrealised foreign currency loss	2,898	206
<i>Changes in net assets and liabilities:</i>		
<i>Decrease /(increase) in assets:</i>		
Inventories	(136)	(370)
Fixed assets	(167)	-
Receivables	18	(25)
Other current and non-current assets	(98)	(109)
(Decrease)/increase in liabilities		
Current payables	(269)	142
Other current & noncurrent liabilities	(50)	(459)
<b>Net cash used in operating activities</b>	<b>(11,299)</b>	<b>(10,386)</b>

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 14. Current assets - trade and other receivables

	2011	2010
	\$000	\$000
Trade receivables	554	573
Allowance for impairment loss	(17)	(28)
Interest receivable	29	35
Tax and other receivables	107	193
	673	773

#### 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:

	2011	2010
	\$000	\$000
At 1 July	28	4
Charge for the year	12	42
Amounts reversed	(15)	(2)
Amounts written off (included in administrative and governance expenses)	(4)	(16)
Foreign exchange translation	(4)	-
At 30 June	17	28

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

#### Related party receivables

For terms and conditions of related party receivables refer to note 23.

#### Fair value and credit risk

Due to the short-term nature of these receivables, the carrying value is assumed to approximate its fair value.

The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 15. Current assets - inventories

	2011 \$000	2010 \$000
Raw Materials (at cost)	761	670
Sub-assemblies (at cost)	324	226
Finished Goods (at cost)	396	632
Provision for obsolete inventory (i)	(204)	(151)
Total inventories at the lower of cost and net realisable value	1,277	1,377

- (i) Due to the nature of many of the test & measurement division products, there are both custom and catalogue components in 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 reviewed the usage of each part and provided an obsolescence provision against those parts that have minimal usage rates. 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.

Inventory write-downs recognised as an expense in cost of sales totalled \$99,000 (2010: \$49,000) for the Group.

### 16. Non-current assets - other financial assets

	2011 \$000	2010 \$000
Deposits - premise leases (i)	17	21
Restricted cash (ii)	71	119
Carrying amount of non-current assets	88	140

- (i) The deposits on the premise leases are held until conclusion of the lease.  
(ii) The restricted cash are funds held in term deposits as security on the premise lease and will be held until conclusion of lease.

#### Fair values

Details regarding fair values are disclosed in note 4.

#### Interest rate risk

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

#### Credit risk

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



## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 17. Non-current assets – property and equipment

#### Reconciliation of carrying amounts at the beginning and end of the period

	Leased, Demo & Loan Devices	Leasehold Improvements	Plant & Machinery	Computer Equipment	Total
	\$000	\$000	\$000	\$000	\$000
<b>Year ended 30 June 2011</b>					
<b>At 1 July 2010 net of accumulated depreciation</b>	<b>238</b>	<b>78</b>	<b>143</b>	<b>80</b>	<b>539</b>
Additions	-	-	-	-	-
Disposals	-	-	-	(2)	(2)
Transfers from inventory	183	-	-	-	183
Depreciation charge for the year	(149)	(42)	(31)	(39)	(261)
Effect of foreign exchange	(3)	(6)	(15)	(10)	(34)
<b>At 30 June 2011 net of accumulated depreciation</b>	<b>269</b>	<b>30</b>	<b>97</b>	<b>29</b>	<b>425</b>
<b>At 30 June 2011</b>					
Cost or fair value	634	152	221	229	1,236
Accumulated depreciation	(365)	(122)	(124)	(200)	(811)
<b>Net carrying amount</b>	<b>269</b>	<b>30</b>	<b>97</b>	<b>29</b>	<b>425</b>

	Leased, Demo & Loan Devices	Leasehold Improvements	Plant & Machinery	Computer Equipment	Total
	\$000	\$000	\$000	\$000	\$000
<b>Year ended 30 June 2010</b>					
<b>At 1 July 2009 net of accumulated depreciation</b>	<b>315</b>	<b>111</b>	<b>155</b>	<b>84</b>	<b>665</b>
Additions	-	4	17	49	70
Disposals	(4)	-	-	(5)	(9)
Transfers from inventory	23	-	-	-	23
Depreciation charge for the year	(80)	(42)	(30)	(53)	(205)
Effect of foreign exchange	(16)	5	1	5	(5)
<b>At 30 June 2010 net of accumulated depreciation</b>	<b>238</b>	<b>78</b>	<b>143</b>	<b>80</b>	<b>539</b>
<b>At 30 June 2010</b>					
Cost or fair value	472	158	250	276	1,156
Accumulated depreciation	(234)	(80)	(107)	(196)	(617)
<b>Net carrying amount</b>	<b>238</b>	<b>78</b>	<b>143</b>	<b>80</b>	<b>539</b>

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 17. Non-current assets – property and equipment (continued)

#### Operating lease commitments receivable for impact devices – Group as lessor

	2011 \$000	2010 \$000
Within one year		
(i) U400 Devices	257	379
(ii) SFB7 Devices	3	16
(iii) DF50 Devices	9	45
(iv) XCA Devices	33	21
	<b>302</b>	<b>461</b>
After one year but not more than five years		
(i) U400 Devices	144	475
(ii) SFB7 Devices	-	-
(iii) DF50 Devices	4	7
(iv) XCA Devices	30	6
	<b>178</b>	<b>488</b>
	<b>480</b>	<b>949</b>

Device operating lease terms range from a period of 6 months to 36 months. In the third quarter of financial year 2011, the Group moved away from offering U400 devices under operating leases and now place U400 devices under Purchase Supply Agreements (PSA) which is customary in the U.S. medical practice market place.

Current lease customers are expected to maintain their device under the operating lease. However, certain customers have the right to cancel their lease upon 30 days notice and have renewed their agreements through a PSA. The PSA defines the terms of use in which the medical practice may use the device and the pricing of electrodes (consumables) based on the volume of readings that the practice sustains.

### 18. Non-current assets - intangible assets and goodwill

#### Reconciliation of carrying amounts at the beginning and end of the period

	Software \$000	Patents and Licenses \$000	Goodwill \$000	Total \$000
<b>Year ended 30 June 2011</b>				
<b>At 1 July 2010 net of accumulated amortisation and impairment</b>	<b>466</b>	<b>454</b>	<b>2,117</b>	<b>3,037</b>
Additions	-	-	-	-
Amortisation	(179)	(225)	-	(404)
Effect of foreign exchange	(78)	(71)	(406)	(555)
<b>At 30 June 2011 net of accumulated amortisation and impairment</b>	<b>209</b>	<b>158</b>	<b>1,711</b>	<b>2,078</b>
<b>At 30 June 2011</b>				
Cost (gross carrying amount)	715	1,469	1,711	3,895
Accumulated amortisation and impairment	(506)	(1,311)	-	(1,817)
<b>Net carrying amount</b>	<b>209</b>	<b>158</b>	<b>1,711</b>	<b>2,078</b>

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 18. Non-current assets - intangible assets and goodwill (continued)

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

	Software \$000	Patents and Licenses \$000	Goodwill \$000	Total \$000
<b>Year ended 30 June 2010</b>				
<b>At 1 July 2009 net of accumulated amortisation and impairment</b>	716	834	2,252	3,802
Additions	6	-	-	6
Amortisation	(207)	(325)	-	(532)
Effect of foreign exchange	(49)	(55)	(135)	(239)
<b>At 30 June 2010 net of accumulated amortisation and impairment</b>	466	454	2,117	3,037
<b>At 30 June 2010</b>				
Cost (gross carrying amount)	1,051	1,693	2,117	4,861
Accumulated amortisation and impairment	(585)	(1,239)	-	(1,824)
<b>Net carrying amount</b>	466	454	2,117	3,037

#### 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.

Software costs are carried at cost less accumulated amortisation and accumulated impairment losses. The intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of four years. The amortisation has been recognised in the statement of comprehensive income in the line item "depreciation and amortisation". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

##### Patents and licenses

The Group holds two licences and numerous patents. One 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 have been determined to have a finite life and are amortised using the straight line method over a useful life of between five and twenty years. The amortisation has been recognised in the statement of comprehensive income in the line item "depreciation and amortisation". Patents and licences are subject to impairment testing whenever there is an indication of impairment.

No impairment loss has been recognised for the years ended 30 June 2011 or 2010.

##### 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.

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 18. Non-current assets - intangible assets and goodwill (continued)

#### Impairment tests for goodwill and intangible assets with indefinite useful lives

##### *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. There was no impairment in financial years 2011 and 2010.

##### *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 from the acquisition of XiTRON in 2007. The goodwill is aligned 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 U.S. 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.

##### *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 cash flow forecast for the CGU for ten years and analysed to the net present value (NPV) of cash flows noting no impairment is required.

A ten-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 ten 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 U.S.;
  - progress in having a Category III reimbursement code accepted by healthcare payer's to reimburse physicians for the use of the L-Dex test;
  - the continuation of an environment where there are no cleared competitive products in the U.S. lymphoedema clinical assessment market;
  - the market launch of the UB500 that aids in the clinical assessment of bilateral lymphoedema of men and women;
- 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 in financial years 2011 and 2010.

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 19. Current liabilities - trade and other payables

	2011 \$000	2010 \$000
Trade payables	744	790
Employment and sales tax payables	158	151
Other accruals and payables	449	805
<b>Carrying amount of trade and other payables</b>	<b>1,351</b>	<b>1,746</b>

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.

#### Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

#### Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 3.

### 20. Provisions

	2011 \$000	2010 \$000
<b>Current</b>		
Employee benefits	584	751
Warranty provision	32	32
Office lease - make good provision	8	-
	<b>624</b>	<b>783</b>
<b>Non-current</b>		
Deferred rent liability	40	65
Employee benefits	94	63
Office lease - make good provision	13	23
	<b>147</b>	<b>151</b>

#### 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 \$000	Deferred rent liability \$000	Make good provision \$000
At 1 July 2010	32	65	23
Arising during the year	23	-	1
Utilised	(23)	(13)	-
Exchange differences	-	(12)	(3)
<b>At 30 June 2011</b>	<b>32</b>	<b>40</b>	<b>21</b>

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 20. Provisions (continued)

#### Movements in provisions (continued)

	Warranty provision \$000	Deferred rent liability \$000	Make good provision \$000	Royalty Provision \$000	Retention from consideration \$000
At 1 July 2009	22	73	23	149	135
Arising during the year	10	-	-	-	-
Utilised	-	(9)	-	(149)	(135)
Exchange differences	-	1	-	-	-
<b>At 30 June 2010</b>	<b>32</b>	<b>65</b>	<b>23</b>	<b>-</b>	<b>-</b>

#### Nature and timing of provisions

##### *Employee benefits*

Employee benefits comprise accrued entitlements for annual leave, performance pay and superannuation contributions (all current) and for long service leave (non-current). Refer to note 2(r) for the relevant accounting applied in the measurement of this provision.

##### *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 and on the one-year warranty period for all products sold. It is expected that these costs will be incurred during the next financial year.

##### *Deferred rent*

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

##### *Make good provision*

To comply with office lease agreements, the Group must restore leased premises at its corporate offices in Brisbane and San Diego to its original condition at the end of the lease terms in 2012 and 2013, respectively. Because of the nature of the liability, the greatest uncertainty in estimating the provision is the cost that will ultimately be incurred. The provision has been calculated using pre-tax discount rates of 5.2% and 1%, respectively.

### 21. Contributed equity

#### Ordinary shares

	2011 \$000	2010 \$000
Ordinary shares fully paid	98,004	84,559
	<b>98,004</b>	<b>84,559</b>

Ordinary shares fully paid include transactions costs of \$0.8 million (2010: \$1.4 million) pertaining to the cost of capital raised during the current reporting period. Fully paid ordinary shares carry one vote per share and carry the right to dividends.



## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 21. Contributed equity (continued)

#### Ordinary shares (continued)

	Number of Shares	\$000
<b>At 1 July 2009</b>	96,525,241	60,576
Issued during the period as a result of:		
Ordinary shares released from escrow	1,478,260	909
Issue of ordinary shares	38,010,790	24,513
Transactions costs	-	(1,439)
<b>At 30 June 2010</b>	136,014,291	84,559
Issued during the period as a result of:		
Issue of ordinary shares(i)	20,482,770	14,280
Transactions costs	-	(835)
<b>At 30 June 2011</b>	156,497,061	98,004

- (i) Includes 208,750 restricted shares which were quoted upon vesting. These shares are subject to the terms of the employee performance share plan and 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.

	Number of Shares	\$000
<b>Ordinary shares related to milestones under escrow - fully paid</b>		
At 1 July 2009	1,478,260	909
Issued during the period as a result of:		
Ordinary shares released from escrow	1,478,260	909
<b>At 30 June 2010</b>	-	-
Issued during the period as a result of:		
Ordinary shares released from escrow	-	-
<b>At 30 June 2011</b>	-	-

#### Capital management

There are no externally imposed capital requirements on the Group. When managing capital, management's objective is that 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.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 21. Contributed equity (continued)

### Capital management (continued)

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

	2011 \$000	2010 \$000
<b>Total borrowings (i)</b>	<b>1,351</b>	1,746
Less cash and cash equivalents	(17,899)	(18,789)
<b>Net debt</b>	<b>(16,548)</b>	(17,043)
Total equity	20,683	22,230
<b>Total capital</b>	<b>4,135</b>	5,187
<b>Net Debt to Equity Ratio</b>	<b>n/a</b>	n/a

(i) Trade and other payables

## 22. Reserves

### Movements in other reserves

	Performance share reserve \$000	Share options reserve \$000	Foreign currency translation \$000	Total \$000
<b>At 1 July 2009</b>	276	1,713	502	2,491
Foreign currency translation	-	-	(360)	(360)
Share-based payment	11	840	-	851
<b>At 30 June 2010</b>	<b>287</b>	<b>2,553</b>	<b>142</b>	<b>2,982</b>
Foreign currency translation	-	-	(747)	(747)
Share-based payment	2	575	-	577
<b>At 30 June 2011</b>	<b>289</b>	<b>3,128</b>	<b>(605)</b>	<b>2,812</b>

The Group maintains two employee share option schemes (ESOP); one for the Australian based employees and one for the U.S. based employees. The Australian ESOP was adopted during the financial year ending 30 June 2004 which was extended in June 2008. The U.S. ESOP was adopted during the financial year ending 30 June 2008.

All options issued under both schemes 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. Further details are provided in Note 26.

At 30 June 2011 there were 19,574,283, (30 June 2010: 19,762,187) unissued ordinary shares in respect of 7,095,783 (30 June 2010: 7,036,180) unlisted options, nil (30 June 2010: 247,507) performance shares and 12,478,500 (30 June 2010: 12,478,500) listed options.

### Nature and purpose of reserves

#### *Performance share reserve and share options reserve*

The share option and performance share reserves are 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.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 23. Related party disclosure

### 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	
		2011	2010
ImpediMed Inc.	United States	100	100
XiTRON Technologies Inc.	United States	100	100

### Ultimate parent

ImpediMed Limited is the ultimate Australian parent entity.

### Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 24.

For the year ended 30 June 2011, no transactions with key management personnel occurred that would be considered related party transactions other than pre-paid expenses of \$9,000 relating to a travel advance to the Senior Vice President Corporate Development that remains outstanding at 30 June 2011.

### *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.

### Transactions with Directors

Details relating to Directors, including remuneration paid, are included in note 24.

For the year ended 30 June 2011, no new transactions with Directors occurred that would be considered related party transactions, other than payments to a consultant who is related to the CEO. Services rendered for the current period totalled \$58,000 (30 June 2010: nil). Amounts payable to this related party at 30 June 2011 were \$8,000 (30 June 2010: \$7,000). A \$25,000 travel advance to the CEO during the year ended 30 June 2010 was utilised during the year ended 30 June 2011.

Transactions with this and all related parties are made at arm's length both at normal market prices and on normal commercial terms.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 24. Key management personnel

### Compensation of key management personnel

	2011	2010
	\$000	\$000
Short-term employee benefits	2,334	2,494
Post employment benefits	122	126
Share-based payment	339	539
<b>Total compensation</b>	<b>2,795</b>	<b>3,159</b>

### Remuneration Option holdings of key management personnel (ESOP) (i)

30 June 2011	Balance at 30 June 2010	Granted as remuneration	Net change other (ii)	Balance at 30 June 2011	Not yet vested	Vested & exercisable
<b>Directors</b>						
M Bridges	-	-	-	-	-	-
G Brown (iii)	2,247,673	-	-	2,247,673	83,334	2,164,339
J Hazel	-	-	-	-	-	-
C Hirst	-	-	-	-	-	-
M Kriewaldt	-	-	-	-	-	-
M Panaccio	-	-	-	-	-	-
<b>Executives</b>						
P Brooker	200,000	300,000	-	500,000	266,666	233,334
J Butler	647,500	-	(50,000)	597,500	45,000	552,500
W. Gearhart	-	500,000	-	500,000	333,333	166,667
B Robinson	363,000	-	(16,667)	346,333	45,000	301,333
D Myll (iv)	500,000	-	(333,333)	166,667	-	166,667
J Honeycutt (v)	300,000	-	(100,000)	200,000	-	200,000
<b>Total</b>	<b>4,258,173</b>	<b>800,000</b>	<b>(500,000)</b>	<b>4,558,173</b>	<b>773,333</b>	<b>3,784,840</b>

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 24. Key management personnel (continued)

### Compensation of key management personnel (continued)

#### Remuneration Option holdings of key management personnel (ESOP) (i) (continued)

30 June 2010	Balance at 30 June 2009	Granted as remuneration	Net change other (ii)	Balance at 30 June 2010	Not yet vested	Vested & exercisable
<b>Directors</b>						
M Bridges	-	-	-	-	-	-
G Brown (iii)	1,747,673	500,000	-	2,247,673	250,001	1,997,672
J Hazel	-	-	-	-	-	-
C Hirst	-	-	-	-	-	-
M Kriewaldt	-	-	-	-	-	-
M Panaccio	-	-	-	-	-	-
<b>Executives</b>						
P Auckland (vi)	350,000	-	-	350,000	-	350,000
P Brooker	-	200,000	-	200,000	133,333	66,667
J Butler	512,500	150,000	(15,000)	647,500	160,834	486,666
A Kay	-	150,000	-	150,000	100,000	50,000
B Robinson	228,000	150,000	(15,000)	363,000	136,000	227,000
D Schlaht	113,250	100,000	(7,000)	206,250	99,750	106,500
D Myll (iv)	-	500,000	-	500,000	333,333	166,667
J Honeycutt (v)	300,000	-	-	300,000	200,000	100,000
<b>Total</b>	<b>3,251,423</b>	<b>1,750,000</b>	<b>(37,000)</b>	<b>4,964,423</b>	<b>1,413,251</b>	<b>3,551,172</b>

- (i) 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 the IPO options subscribed for it at IPO or purchased it on the market.
- (ii) 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 or normal expirations at the end of the option expiry period.
- (iii) G Brown's 500,000 options granted during 2010 as remuneration were approved by shareholders at the Annual General Meeting in November 2010.
- (iv) D Myll resigned as CFO 18 October 2010.
- (v) J Honeycutt resigned as SVP Operations 31 May 2011.
- (vi) P Auckland resigned as CFO 25 September 2009.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 24. Key management personnel (continued)

### Ordinary and restricted shareholdings of key management personnel

30 June 2011	Balance at 30 June 2010	Granted as remuneration	Net change other (i)	Balance at 30 June 2011
<b>Directors</b>				
M Bridges	4,754,209	-	21,429	4,775,638
G Brown	4,867,092	-	-	4,867,092
J Hazel	281,777	-	21,429	303,206
C Hirst	229,028	-	42,858	271,886
M Kriewaldt	235,230	-	21,429	256,659
M Panaccio (ii)	24,571,716	-	21,429	24,593,145
<b>Executives</b>				
P Brooker	-	-	-	-
J Butler	24,666	-	49,334	74,000
B Gearhart	-	-	-	-
B Robinson	222,853	-	33,333	256,186
D Myll	-	-	-	-
J Honeycutt	-	-	-	-
<b>Total</b>	<b>35,186,571</b>	<b>-</b>	<b>211,241</b>	<b>35,397,812</b>

30 June 2010	Balance at 30 June 2009	Granted as remuneration	Net change other (i)	Balance at 30 June 2010
<b>Directors</b>				
M Bridges	4,719,516	-	34,693	4,754,209
G Brown	4,432,477	-	434,615	4,867,092
J Hazel	253,598	-	28,179	281,777
C Hirst	183,220	-	45,808	229,028
M Kriewaldt	184,706	-	50,524	235,230
M Panaccio (ii)	33,502,851	-	(8,931,135)	24,571,716
<b>Executives</b>				
P Auckland	33,000	-	42,999	75,999
P Brooker	-	-	-	-
J Butler	-	-	24,666	24,666
A Kay	-	-	-	-
B Robinson	206,186	-	16,667	222,853
D Schlaht	174,382	-	-	174,382
D Myll	-	-	-	-
J Honeycutt	-	-	-	-
<b>Total</b>	<b>43,689,936</b>	<b>-</b>	<b>(8,252,984)</b>	<b>35,436,952</b>

(i) Net change other reflects sales, purchases or transfers of ownership of shares.

(ii) The shareholding shown against M Panaccio include deemed interests as a result of Dr Panaccio being a substantial shareholder who holds 16% of the Parent. The net change in 2010 is the removal of deemed interest related to 2009. At 30 June 2009 and 2010, Dr. Panaccio's holdings included escrow shares of various holders (deemed relevant interest under section 608(3)(b) of the Corporations Act). As the largest shareholder, Dr. Panaccio was deemed to control these escrow shares. The net change during financial year 2010 includes the purchase of 31,806 ordinary shares.

This table of ordinary shareholdings excludes shares granted but not vested under the ImpediMed Performance Share Plan, which are disclosed in the next table and which are in addition to the shares in this table. This table includes restricted shares issued upon vest of performance awards.



# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 24. Key management personnel (continued)

### Performance shareholdings of key management personnel

30 June 2011	Balance at 30 June 2010	Granted as remuneration	Net change Other (i)	Balance at 30 June 2011	Vested	Forfeited
<b>Directors</b>						
M Bridges	-	-	-	-	-	-
G Brown	-	-	-	-	-	-
J Hazel	-	-	-	-	-	-
C Hirst	-	-	-	-	-	-
M Kriewaldt	-	-	-	-	-	-
M Panaccio	-	-	-	-	-	-
<b>Executives</b>						
P Brooker	-	-	-	-	-	-
J Butler	49,334	-	(49,334)	-	-	-
B Gearhart	-	-	-	-	-	-
B Robinson	33,333	-	(33,333)	-	-	-
D Myll	-	-	-	-	-	-
J Honeycutt	-	-	-	-	-	-
<b>Total</b>	<b>82,667</b>	<b>-</b>	<b>(82,667)</b>	<b>-</b>	<b>-</b>	<b>-</b>

30 June 2010	Balance at 30 June 2009	Granted as remuneration	Net change Other (i)	Balance at 30 June 2010	Vested	Forfeited
<b>Directors</b>						
M Bridges	-	-	-	-	-	-
G Brown	-	-	-	-	-	-
J Hazel	-	-	-	-	-	-
C Hirst	-	-	-	-	-	-
M Kriewaldt	-	-	-	-	-	-
M Panaccio	-	-	-	-	-	-
<b>Executives</b>						
P Auckland	100,000	-	(33,333)	66,667	66,667	-
P Brooker	-	-	-	-	-	-
J Butler	74,000	-	(24,666)	49,334	49,334	-
A Kay	-	-	-	-	-	-
B Robinson	50,000	-	(16,667)	33,333	33,333	-
D Schlaht	-	-	-	-	-	-
D Myll	-	-	-	-	-	-
J Honeycutt	-	-	-	-	-	-
<b>Total</b>	<b>224,000</b>	<b>-</b>	<b>(74,666)</b>	<b>149,334</b>	<b>149,334</b>	<b>-</b>

(i) 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 or the issuance of ordinary restricted shares upon vest.

To value the performance of individuals under the Performance Share plan most effectively, 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.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 24. Key management personnel (continued)

### IPO Option (ASX;IPDO) holdings of key management personnel

30 June 2011	Balance at 1 July 2010	Granted as remuneration	Net change other (i)	Balance at 30 June 2011
<b>Directors</b>				
M Bridges	45,000	-	-	45,000
G Brown	14,000	-	-	14,000
J Hazel	33,750	-	-	33,750
C Hirst	17,250	-	-	17,250
M Kriewaldt	-	-	-	-
M Panaccio	2,877,700	-	-	2,877,700
<b>Executives</b>				
P Brooker	-	-	-	-
J Butler	-	-	-	-
B Gearhart	-	-	-	-
B Robinson	-	-	-	-
D Myll	-	-	-	-
J Honeycutt	-	-	-	-
<b>Total</b>	<b>2,987,700</b>	<b>-</b>	<b>-</b>	<b>2,987,700</b>

30 June 2010	Balance at 1 July 2009	Granted as remuneration	Net change other (i)	Balance at 30 June 2010
<b>Directors</b>				
M Bridges	45,000	-	-	45,000
G Brown	14,000	-	-	14,000
J Hazel	33,750	-	-	33,750
C Hirst	17,250	-	-	17,250
M Kriewaldt	-	-	-	-
M Panaccio	2,877,700	-	-	2,877,700
<b>Executives</b>				
P Brooker	-	-	-	-
P Auckland	5,000	-	-	5,000
J Butler	-	-	-	-
A Kay	-	-	-	-
B Robinson	-	-	-	-
D Schlaht	-	-	-	-
D Myll	-	-	-	-
J Honeycutt	-	-	-	-
<b>Total</b>	<b>2,992,700</b>	<b>-</b>	<b>-</b>	<b>2,992,700</b>

(i) Net change other reflects options issued or exercised in the period.

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 25. Auditor's remuneration

	2011 \$000	2010 \$000
<b>Amounts received or due and receivable</b>		
<b>By Ernst &amp; Young Australia for:</b>		
audit of financial report of the entity	154	161
other services to the entity	-	-
<b>By other auditors for:</b>		
other audit related services to the entity	-	4
	<b>154</b>	<b>165</b>

### 26. Share-based payment plans

#### Recognised share-based payment expenses

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

	2011 \$	2010 \$
Expense arising from equity-settled share-based payment transactions – employees	507	766
Expense arising from equity-settled share-based payment transactions – consultants	70	85
Total expense arising from share-based payment transactions	<b>577</b>	<b>851</b>

The share-based payment plans are described below. There have been no cancellations or modification to any of the plans during 2011 and 2010.

During the year ending 30 June 2011, the Group modified several share option awards providing extended vesting and exercise terms for certain employees resulting in an incremental expense of \$49,000 (2010: \$0.1 million).

#### (a) Types of share-based payment plans

##### Employee share option plans (ESOP)

The Group has two ESOP schemes it operates, one for eligible Australian employees and one for eligible U.S. employees.

##### *5% limit under ASIC class order 03/184*

The ESOP for the Australian employees follows the 5% limit under the ASIC class order 03/184 in relation to the total amount of shares that may be issued to Australian employees. One of these conditions is that the number of options offered to an eligible employee in Australia, when added to the number of securities previously issued under any employee incentive scheme (including options previously issued under the option plan and shares under an employee share plan) to Australian employees over the last five years (but excluding options that have since lapsed), is less than 5% of the total number of shares on issue at the time of the offer (5% limit). The class order also sets out a number of exceptions where the issue of securities in certain circumstances are excluded from the 5% limit calculation.

One relevant exception to the 5% limit calculation is the offer or issue of securities to persons outside Australia at the time they receive the offer. Accordingly, options offered to employees in the U.S. under the Company's U.S. ESOP are excluded from the 5% limit calculation.

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 26. Share-based payment plans (continued)

#### (a) Types of share-based payment plans (continued)

##### Employee share option plans (ESOP) (continued)

###### *Issue of options excluded from Company's 15% limit under ASX Listing Rule 7.1*

At the Company's AGM last year, shareholders approved the issue of options under both the Australian ESOP and the U.S. ESOP for the next three years for the purpose of exception 9 of ASX Listing Rule 7.2. This means that any issue of options (or the issue of shares upon the exercise of options) under either plan up to 23 November 2013 will not count towards the Company's 15% limit under ASX Listing Rule 7.1.

###### *ESOP schemes terms and conditions*

Share options are granted to eligible employees of and collaborators with 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 their share options, the unvested share options are forfeited. The participant has 30 days to exercise vested options after cessation of employment.

In the event of a change of control of the Group, at the discretion of the Board of Directors, all options vest immediately.

The contractual life of each option granted is specified by the stock option agreement not to exceed ten years from the date of grant. There are no cash settlement alternatives. The options issued under the plan cannot be transferred and are not quoted as tradeable instruments on the ASX.

Share options issued during the period generally vest in three tranches at the first, second and third anniversary dates of the grant or vest in three tranches at the end of the first, second and third years from grant.

Share options issued to new employees during the period vest in three tranches at the end of the first, second and third calendar years of employment.

Vesting of certain options issued to Australian employees during the period 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.

Options from a tranche once vested may be exercised for a term of five years.

##### Chief Executive option plan

Options issued to the Chief Executive are issued outside the ESOP schemes as the plans exclude the participation of the CEO. 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 plans, the options were issued subject to the same terms and conditions as if they were part of the ESOP schemes except the share options issued in 2004, which are vested, may be exercised for a term of seven years. All CEO option grants are subject to approval by the shareholders.

##### 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 vested 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.

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 26. Share-based payment plans (continued)

#### (b) Types of share-based payment plans (continued)

##### Performance share plan (continued)

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.

#### (c) Summary of options and performance shares

The following table illustrates the number of shares (Number) and weighted average exercise price (WAEP) of share options under the ESOP schemes.

	2011		2010	
	Number	WAEP\$	Number	WAEP\$
<b>Balance at the beginning of the year</b>	<b>4,788,507</b>	<b>0.75</b>	2,884,840	0.74
Granted during the year	1,255,000	0.77	2,342,550	0.78
Forfeited during the year	(492,964)	0.75	(292,799)	0.77
Exercised during the year	-	-	-	-
Expired during the year	(702,433)	0.77	(146,084)	0.75
<b>Balance at the end of the year</b>	<b>4,848,110</b>	<b>0.76</b>	4,788,507	0.75
<b>Exercisable at 30 June</b>	<b>3,558,273</b>	<b>0.75</b>	2,713,763	0.75

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 26. Share-based payment plans (continued)

#### (c) Summary of options and performance shares (continued)

The year-end balance is represented by:

	Number of options	Exercise price \$(i)	Expire date
	50,001	0.85	30-Jul-11
	50,000	0.85	28-Oct-11
	83,333	0.85	23-Nov-11
	26,667	0.85	24-Dec-11
	171,666	0.70	29-May-12
	50,000	0.85	29-Jul-12
	50,000	0.85	28-Oct-12
	83,334	0.85	23-Nov-12
	26,666	0.85	24-Dec-12
	171,666	0.70	29-May-13
	304,531	0.72	31-Dec-13
	171,668	0.70	29-May-14
	576,503	0.78	31-Dec-14
	304,531	0.72	31-Dec-14
	123,334	0.68	31-Dec-14
	180,000	0.79	10-Dec-15
	409,836	0.78	31-Dec-15
	304,538	0.72	31-Dec-15
	30,000	0.66	31-Dec-15
	123,334	0.68	31-Dec-15
	266,667	0.79	31-Dec-15
	30,000	0.66	31-Dec-16
	23,332	0.68	31-Dec-16
	31,667	0.70	31-Dec-16
	398,170	0.78	31-Dec-16
	446,667	0.79	31-Dec-16
	30,000	0.66	31-Dec-17
	31,667	0.70	31-Dec-17
	266,666	0.79	31-Dec-17
	31,666	0.70	31-Dec-18
	<b>4,848,110</b>		

- (i) Following the 2009 and 2010 rights issues all outstanding options were re-priced pursuant to ASX Listing Rule 6.22 resulting in a reduction in exercise price of all outstanding options by approximately 1.0 cent and 1.0 cent per option, respectively.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 26. Share-based payment plans (continued)

### (c) Summary of options and performance shares (continued)

#### 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:

	2011		2010	
	No	WAEP\$ (i)	No	WAEP\$
Balance at the beginning of the year	2,247,673	0.84	1,747,673	0.83
Granted during the year	-	-	500,000	0.89
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Balance at the end of the year	2,247,673	0.86	2,247,673	0.84
Exercisable at 30 June	2,164,339	0.86	1,997,672	0.83

The year-end balance is represented by:

	Number of options	Exercise price(ii) (\$)	Expiry date
	249,225	0.66	31-Dec-11
	166,667	0.89	31-Jul-12
	166,667	1.01	31-Jul-12
	249,224	0.66	31-Dec-12
	166,667	0.89	31-Jul-13
	166,667	1.01	31-Jul-13
	249,224	0.66	31-Dec-13
	83,333	0.89	30-Jun-14
	166,666	0.89	31-Jul-14
	166,666	1.01	31-Jul-14
	83,333	1.00	31-Dec-14
	83,334	1.00	30-Jun-15
	83,333	1.00	31-Dec-15
	83,333	1.00	30-Jun-16
	83,334	1.00	31-Dec-16
	<b>2,247,673</b>		

- (i) The WAEP was updated during the current year to reflect the change in exercise price of the CEO options granted in 2010 that were approved at the 2011 Annual General Meeting.
- (ii) Following the 2009 and 2010 rights issues all outstanding options were re-priced pursuant to ASX Listing Rule 6.22 resulting in a reduction in exercise price of all outstanding options by approximately 1.0 cent and 1.0 cent per option, respectively.



# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

## 26. Share-based payment plans (continued)

### (c) Summary of options and performance shares (continued)

#### Performance share plan

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

	2011	2010
Balance at the beginning of the year	247,507	380,922
Granted during the year	-	-
Shares issued	(207,507)	(132,249)
Forfeited during the year	(40,000)	(1,166)
Not granted during the year	-	-
Expired during the year	-	-
Balance at the end of the year	-	247,507

### (d) Weighted average remaining contractual life

#### Employee share option plans

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 3.9 years (2010: 4.4 years).

#### Chief executive option plan

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 2.4 years (2010: 3.4 years).

### (e) Range of exercise prices

#### Employee share option plans

The range of exercise prices for options outstanding as at 30 June 2011 is \$0.66-\$0.85 (2010: \$0.68-\$0.85).

#### Chief executive option plan

The range of exercise prices for options outstanding as at 30 June 2011 is \$0.66-\$1.01 (2010: \$0.66-\$1.01).

#### Performance share plan

The performance shares have no exercise price.

### (f) Weighted average fair value

#### Employee share option plan (ESOP)

The weighted average fair value of options granted during the year was \$0.45 (2010: \$0.37).

#### Chief executive option plan

There were no CEO plan options granted during 2011. The weighted average fair value of options granted during 2010 was \$0.49.

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 26. Share-based payment plans (continued)

#### (g) Option pricing model

The fair value of the equity-settled share options granted under the ESOP schemes and the Chief Executive Option Plan is estimated as at the date of grant using the Black Scholes option valuation model – taking into account the terms and conditions upon which the options were granted.

The following tables list the inputs in the model used for the years ended 30 June 2011 and 30 June 2010:

	ESOP Issue 2011	ESOP Issue 2010
<b>Expected volatility (%)</b>		
Tranche 1	78-82	50
Tranche 2	78-81	50
Tranche 3	81-85	50
<b>Risk free interest rate (%)</b>		
Tranche 1	4.6	4.5
Tranche 2	4.6-4.7	4.8
Tranche 3	4.6-4.8	5.0
<b>Expected life of option (years)</b>		
Tranche 1	3.0	2.5
Tranche 2	3.0-4.0	3.5
Tranche 3	3.0-5.0	4.5
<b>Option exercise price/share price (\$)</b>		
Tranche 1	0.66-0.79	0.79
Tranche 2	0.66-0.79	0.79
Tranche 3	0.66-0.79	0.79
<b>Calculated fair value (\$)</b>		
Tranche 1	0.36-0.45	0.31
Tranche 2	0.39-0.46	0.37
Tranche 3	0.44-0.53	0.41

The dividend yield for all tranches was nil. The weighted average share price for all tranches at grant date was \$0.77 in financial year 2011 (2010: \$0.84)

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 based on historical share prices. The resulting expected volatility therefore reflects the assumption that the industry averages are indicative of future trends, which may not necessarily be the actual outcome.

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 26. Share-based payment plans (continued)

#### (g) Option pricing model (continued)

##### CEO 2010 options

There were no CEO options granted in financial year 2011. The following tables list the inputs in the model used for the year 30 June 2010:

	Expected volatility (%)	Risk free interest rate (%)	Expected life of option (years)	Option exercise price (\$)	Calculated fair value (\$)
Tranche 1-1	78	4.7	3.5	1.00	0.45
Tranche 2-1	81	4.8	4.5	1.00	0.53
Tranche 3-1	85	4.9	5.5	1.00	0.59
Tranche 1-2	82	4.6	2.5	1.00	0.40
Tranche 2-2	78	4.7	3.5	1.00	0.46
Tranche 3-2	81	4.8	4.5	1.00	0.53

Dividend yield was nil and weighted average share price at grant date was \$1.00 for all tranches. 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 based on historical share prices. The resulting expected volatility therefore reflects the assumption that the industry averages are indicative of future trends, which may not necessarily be the actual outcome.

##### IPO options

At 30 June 2011 there were 12,478,500 (2010: 12,478,500) 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. They have an exercise price of 71 cents and expire on 22 October 2012.

#### (h) Other equity instruments

The Group grants restricted share awards to certain consultants. The shares are subject to meeting certain milestones. The shares generally vest over the term of the respective contract, generally one year from the grant date. During the year, the Group granted 100,000 shares (2010: 200,000).

Dividend yield was nil and the weighted average share price and fair market value at grant date was \$0.79 (2010: \$0.84). Fair market value is based on the share price on the grant date and is considered equal to the value of the services that the Group receives from the consultant.

During the year ending 30 June 2011, 180,000 (2010: nil) shares were forfeited as milestones were not met and 20,000 (2010: nil) ordinary shares were issued. 100,000 shares remain outstanding at 30 June 2011 (2010: 200,000).

### 27. Commitments

#### Operating lease commitments

During the reporting period the Group continued all premise operating leases from the prior financial year, including copiers, phones, the registered office in Brisbane, Queensland and the operating hub office in San Diego, California.

The above leases have an average remaining life of between 0 and 3 years. There are no restrictions placed on the Group for entering into these leases. Subsequent to year-end, the Company extended the operating lease on the office in Brisbane for an additional six months.

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 27. Commitments (continued)

#### Operating lease commitments (continued)

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2011 are as follows:

	2011 \$000	2010 \$000
Within one year	326	401
After one year but not more than five years	303	586
More than five years	-	-
	<b>629</b>	<b>987</b>

#### Finance lease commitments

The Group does not currently have any open finance leases.

#### Expenditure commitments

At 30 June 2011 the Group has commitments of \$681,000 (2010: \$26,000) relating to the funding of various research and development and operating activities.

	2011 \$000	2010 \$000
Within one year	681	26
After one year but not more than five years	-	-
	<b>681</b>	<b>26</b>

#### Royalty commitments

At 30 June 2011 the Group has commitments for the payment of royalties, which are provided on product sales and are accrued and recognised for the year ended 30 June 2011.

### 28. Contingencies

#### Legal claims

At 30 June 2011, the Group has no known open claims or lawsuits against it.

The Parent and its wholly owned subsidiary, XiTRON, were served in December 2009 with a U.S. civil action by a former employee and founder of XiTRON. The action related to an agreement made by XiTRON in 2001, before the Group purchased the company. The Group successfully resolved the matter during 2011 and the civil proceeding was discontinued and a release has been obtained from the former employee in favour of the ImpediMed Group. The terms of the settlement are confidential and are not material to the Group's financial position.

#### Contingent liabilities

The Parent has a commitment to an Australian-based Contract Manufacturer, whereby if the current agreement is terminated the Group is liable for the value of all stock held by the Contract Manufacturer in relation to the specified projects in the agreement. While there is no inherent liability on the Group's part if the contract is completed in full, the Group has a contingent liability of \$0.3 million were it to terminate the contract at 30 June 2011 (2010: \$0.3 million).

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

### 28. Contingencies (continued)

#### Cross guarantees

As a policy the Group does not undertake any cross guarantees.

### 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 3.5 million 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 million or more in revenues by XiTRON for the year ended 30 June 2009, which was not achieved.

Milestone 4 required the achievement of \$US 6.5 million or more in revenues by XiTRON for the year ended 30 June 2010, which was not achieved.

### 30. Events after the balance sheet date

In July 2011, the Group entered into a binding letter of intent and were granted an exclusive license in the United States to three patents to further strengthen the Group's Intellectual Property holdings related to lymphedema, dialysis/nephrology and edema applications. Under the letter the Group is required to pay royalties on the sales of certain products, including minimum royalty amounts each year for the life of the license agreement.

In August 2011, the Company granted 1,200,000 options to KMP.

## Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

In accordance with a resolution of the Directors of ImpediMed Limited, I state that:

1. In the opinion of the Directors of ImpediMed Limited (the Group):
  - (a) the consolidated financial statements and notes and the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001, including
    - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its 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;
  - (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.

On behalf of the Board



Cherrell Hirst  
Deputy Chair



Greg Brown  
Chief Executive Officer

Brisbane, 30 August 2011

## 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 2011, and the statement of comprehensive income, 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 company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



### **Auditor's Opinion**

In our opinion:

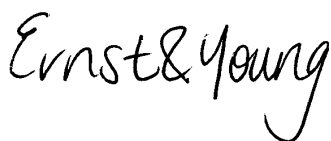
1. the financial report of ImpediMed Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position at 30 June 2011 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting 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 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Alison de Groot  
Partner  
Brisbane  
30 August 2011

## Shareholder Information

The Shareholder information below was current at 24 August 2011

### (1) Top 20 Security Holders

#### Ordinary Shares

	Name	Total Shares Held	% Issued Capital
1	Starfish Technology Fund 1 LP	24,285,465	15.5%
2	National Nominees Limited	15,043,545	9.6%
3	J P Morgan Nominees Australia Limited	11,568,987	7.4%
4	Citicorp Nominees Pty Limited	8,373,950	5.4%
5	Bond Street Custodians Macquarie Investment	5,917,025	3.8%
6	Versant Venture Capital Iii LP	5,148,899	3.3%
7	J P Morgan Nominees Australia Limited (Cash income)	4,962,963	3.2%
8	Greg Brown	4,429,426	2.8%
9	Parma Corporation Pty Ltd	4,235,000	2.7%
10	HSBC Custody Nominees (Australia) Limited	3,695,215	2.4%
11	Thorpe Road Nominees Pty Ltd	3,275,421	2.1%
12	Cogent Nominees Pty Limited	3,020,066	1.9%
13	Westscheme Pty Limited	2,785,397	1.8%
14	Statewide Superannuation Pty Limited	2,785,397	1.8%
15	RBC Dexia Investor Services Australia Nominees Pty Ltd	2,446,558	1.6%
16	Mr Ian Edward Tregoning & Mrs Lisa Antonietta Tregoning	2,391,969	1.5%
17	Powers Pty Ltd	1,978,562	1.3%
18	Asia Union Investments Pty Limited	1,521,429	1.0%
19	Uniquet Pty Limited	1,490,000	1.0%
20	Thorpe Road Nominees Pty Limited	1,164,948	0.8%

#### IPDO Listed Options

	Name	Total Options Held	% Listed Options
1	Citicorp Nominees Pty Limited	3,839,906	30.8%
2	Bond Street Custodians (Macquarie Investment Management Ltd A/c)	2,763,200	22.1%
3	Starfish Technology Fund 1 LP	2,763,200	22.1%
4	Mr EF Murdoch & Mrs BK Murdoch & Mr AW Murdoch (Goanna Fund A/c)	250,000	2.0%
5	Thorpe Road Nominees Pty Ltd (Tregoning Family No 2 A/c)	205,000	1.6%
6	National Nominees Limited	175,000	1.4%
7	Versant Venture Capital Iii LP	172,582	1.4%
8	JPS Distribution Pty Ltd (Raff Super Fund A/c)	70,000	0.6%
9	Masto Pty Ltd (Micana Super Fund A/c)	69,500	0.6%
10	Dr George Morstyn & Mrs Rosa Bertha Morstyn	69,500	0.6%
11	Mr Dom La Sevla & Mrs Maria La Selva	63,726	0.5%
12	Mrs Voula Samaras (Samaras Family A/c)	63,500	0.5%
13	Trujon Investment Holdings (Super Fund A/c)	59,500	0.5%
14	Kanumera Investments Pty Ltd	56,600	0.5%
15	Oompalah Pty Ltd (Super Fund A/c)	54,000	0.4%
16	Badge Nominees Pty Ltd (Macaulay Super Fund A/c)	50,000	0.4%
17	Masto Pty Ltd (Micana Super Fund A/c)	45,000	0.4%
18	Mr David Frederick Oakley	45,000	0.4%
19	Terrance George Dowling & Lynn Maureen Trown	39,000	0.3%
20	Colin Frederick Brown & Lynette Anne Brown	36,000	0.3%

## Shareholder Information

### (2) Distribution of Security Holders

#### Ordinary Shares

Number of securities held	Number of investors	Number of securities	%
1 - 1000	96	48,162	0.1%
1,001 - 5,000	256	765,050	0.5%
5,001 - 10,000	175	1,433,369	0.9%
10,001 – 50,000	476	11,409,989	7.3%
50,001 – 100,000	89	6,339,303	4.0%
100,001 and over	116	136,292,438	87.2%
<b>Total</b>	<b>1,208</b>	<b>156,288,311</b>	<b>100.0%</b>

#### IPDO Quoted Options

Number of securities held	Number of investors	Number of securities	%
1 - 1000	-	-	0.0%
1,001 - 5,000	182	467,403	3.7%
5,001 - 10,000	35	275,889	2.2%
10,001 – 50,000	48	1,059,994	8.5%
50,001 – 100,000	8	506,326	4.1%
100,001 and over	7	10,168,888	81.5%
<b>Total</b>	<b>280</b>	<b>12,478,500</b>	<b>100.00%</b>

### (3) Substantial shareholders

As at 24 August 2011, 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 LP	24,285,465
National Nominees Limited	15,937,667
J P Morgan Nominees Australia Limited	11,568,987
Citicorp Nominees Party Limited	8,373,950

### (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 24 August 2011, the following securities are restricted

Class of restricted security	Number Of Holders	Date Restricted Until	Unquoted Ordinary Shares	Quoted Ordinary Shares
Employee performance shares subject to restriction under ESOP schemes	9	*	-	208,750
<b>Total</b>	<b>9</b>		<b>-</b>	<b>208,750</b>

\*Subject to the terms of the employee performance 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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