impedimed®

ImpediMed Limited
Annual Report
2017

For the Year Ended
30 June 2017

impedimed®

Annual Financial Report

ABN 65 089 705 144

Contents

Corporate Information

This financial report covers the consolidated entity comprising ImpediMed Limited (the "Parent" or "Company") with its wholly-owned subsidiaries (the "Group"). The Parent's functional and presentation currency and the Group's presentation 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

Non-Executive Directors

C Hirst AO, Chairman
D Adams (Resigned 8 August 2016)
J Downes (Appointed 17 April 2017)
E Gaines (Resigned 3 February 2017)
G Goetzke (Appointed 8 August 2016)
M Panaccio (Retired 8 August 2016)
A Patel (Appointed 17 March 2017)
S Ward
D Williams (Appointed 17 March 2017)

Managing Director

R Carreon, Managing Director and CEO

Company Secretary

L Ralph

Registerd Office

Unit 1, 50 Parker Court
Pinkenba QLD 4008

Principal Places of Business

US Headquarters
5900 Pasteur Court, Suite 125
Carlsbad CA 92008 USA
Phone: +1 760 585 2100

US Regional Office
2901 Metro Drive
Bloomington MN 55425 USA
Phone: +1 760 585 2011

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

Share Register

Link Market Services
Level 15, 324 Queen Street
Brisbane QLD 4000
T.: +61 7 3320 2200

ImpediMed Limited shares are listed on the Australian Securities Exchange (ASX): ASX code "IPD".

Websites & Social Media

www.impedimed.com
www.hellosozo.com

Solicitors

Johnson Winter & Slattery
Level 25, 20 Bond Street
Sydney QLD 2000

Sheppard Mullin Richter & Hampton LLP 12275
El Camino Real Suite 200
San Diego CA 92130-2006 USA

Bankers

Commonwealth Bank of Australia
240 Queen Street
Brisbane QLD 4000

Bank of America
450 B Street, Suite 1500
San Diego CA 92101-8001 USA

Auditors

Ernst & Young
Level 51, 111 Eagle Street
Brisbane QLD 4000

Remuneration Advisors to the Board of Directors

Willis Towers Watson
300 S. Grand Avenue
Los Angeles CA 90071 USA

KPMG
147 Collins Street
Melbourne VIC 3000

Chairman's Report

Dr. Cherrell Hirst AO, Chairman of the Board

On behalf of ImpediMed's Board of Directors and Management, I am pleased to present the Annual Report for ImpediMed Limited (ImpediMed or the Company) for the 2017 financial year.

ImpediMed has continued to execute on its strategy this year, culminating in the issuance of CE Mark for SOZO™ across multiple indications in June and a 510(k) clearance for SOZO™ for lymphoedema in the US in August. Other highly significant milestone achievements include the development work on SOZO™ to bring it to regulatory clearance, the steady progress to full enrolment in our multi-centre post marketing trial for lymphoedema, the continuing take up of L-Dex® in top-tier cancer centres in the US, and all this while maintaining appropriate fiscal control and continuing to build a strong and motivated team. These key milestones and all the behind-the-scenes work executed during the year are a direct result of the tireless effort and huge determination of our highly capable and committed management team.

As a result of these achievements, we enter the 2018 financial year tracking ahead of schedule for our planned market launch of SOZO™ in the US and are excited about the potential for the year ahead. The achievements of this past year stand us in good stead to continue to progress our strategy in future years including driving an increase in revenues from L-Dex® and progressing our clinical studies in cardiac failure utilising SOZO™.

During this past year, we have further advanced our clearly articulated plan to build a strong and capable Board with the relevant skills to guide the Company through this next growth phase; further building our regulatory program and expanding our commercial presence globally.

The appointment of Directors during the year was based on assessments using our board skills matrix. Commensurate with our growth and rapid progress toward the launch of our next generation device, SOZO™, we have expanded the breadth of experience within the Board by increasing the number of Non-Executive Directors from five to six.

Along with my fellow Directors, I was very pleased to welcome Don Williams, Amit Patel and Judith Downes to our Board during these last twelve months. Don and Amit are based in the United States and Judith Downes is resident in Australia. In addition to expanding the size of the Board thus creating one new position, two director vacancies were created when Elizabeth Gaines accepted a significant CFO role elsewhere (February 2017) and David Adams moved from a non-executive role to an executive position within ImpediMed (August 2016).

All three new Directors have significant expertise in different and distinctive skill areas, all of which will serve the Company well and complement the existing skills, as we continue to grow the business globally and establish ourselves in digital health-care.

- Amit is an expert in digital health, with a depth of experience in commercialising technologies across the software and healthcare industries.
- Don has more than 35 years of senior business leadership and has a depth of experience in the medical devices and life sciences industries, with a focus on helping companies execute on their growth strategies.
- Judith will serve as the Chair of the Audit and Risk Management Committee and brings over 20 years of accounting and senior management expertise to the Board, with a strong focus on financial management and audit and risk management with large ASX listed companies.

ImpediMed is indeed fortunate to attract such high calibre experienced individuals to its Board and I am confident that the Board will provide strong strategic leadership for the Company and work effectively with Management to progress the ImpediMed journey.

I extend my thanks to all Directors for the quality of the service they provide to ImpediMed and the conscientiousness and commitment with which they undertake their responsibilities as Directors.

As always, I extend my thanks and congratulations to our Managing Director and CEO, Rick Carreon and his team. Rick's continued leadership is the key factor behind our successes over the past few years and is demonstrated through his building of a highly motivated and cohesive team capable of delivering on these strategic milestones. The recent 510(k) clearance for SOZO™ in the US and CE Mark in Europe and Australia are excellent examples of this level of performance. Thank you, Rick, for your commitment to ImpediMed's success and for leading ImpediMed in its mission to improve the lives of patients around the world.

And finally, thank you to our shareholders for your ongoing support. We look forward to building on the achievements of this year and sharing the next steps of our journey with you.

Yours sincerely,

Cherrell Hirst AO
Chairman

Chief Executive Officer's Letter

Richard Carreon,
Managing Director and
Chief Executive Officer

Dear Shareholders,

The 2017 financial year was another pivotal year for ImpediMed as we expanded on the building blocks laid over the previous few years. A key achievement during the year was the advancement of SOZO™, ImpediMed's state of the art bioimpedance spectroscopy (BIS) platform. SOZO™ is a highly sophisticated device that is uniquely simple for easy patient and clinician use.

SOZO™ provides several key advantages over the current product offering. In addition to providing equivalent or superior accuracy compared with the L-Dex® U400 and SFB7 devices, SOZO™ eliminates the need for an examination room, gel backed electrodes, the patient to be lying down and a highly trained clinician to administer the test. Testing time is reduced from tens of minutes to mere seconds. SOZO™ operates on a connected platform, easily integrating with patients' Electronic Health Records (EHR) while also adding increased functionality for users and the ability to track protocol compliance. The simple expansion with add on software modules for expanded indications, SOZO™ also opens the large and fast growing at-home patient monitoring market and gives ImpediMed access to de-identified datasets, allowing for real time analysis to refine algorithms and develop other healthcare uses.

Thank you to our Shareholders for continuing with us on our journey. Much of the ground work is now completed, which was marked most recently by the issuance of a 510(k) clearance for SOZO™ with L-Dex® by the US FDA on 14 August 2017. As I've recently stated, this clearance puts us ahead of schedule for our planned market launch of SOZO™ in the United States, and also allows us to now expedite our regulatory strategy for additional SOZO™ indications including fluid status monitoring for patients living with heart failure. The US commercialisation of L-Dex® is poised for sustained acceleration in the 2018 financial year and we look forward to sharing the next steps of our journey with you.

Financial Results

Total revenue in the medical operating segment increased by 17% year-over-year to $4.8 million for the 2017 financial year. Within that segment, Oncology related revenue increased by 22% year-over-year to $3.9 million.

The year was marked by strong momentum in US adoption of L-Dex® for lymphoedema. The beginning of the 2018 financial year will likely be a transition period for ImpediMed, but we are building an impressive foundation for our L-Dex® business in the US. As of the end of the financial year, a total of 110 major multi-disciplinary centres in the US have now incorporated L-Dex® into their clinical work flow practices. These top-tier cancer centres are currently using our U400 system in their high-risk patient programs. We anticipate that, with SOZO™ and as private payors come on board, these facilities will start to broaden the use of L-Dex® within their facilities.

Cash on hand at 30 June 2017 was $54.9 million and net cash used in operating activities was $25.6 million for the financial year. The Group remains in a strong position to invest in the areas critical for sustained acceleration of revenue over the course of the 2018 financial year.

Chief Executive Officer's Letter (Continued)

Key Milestones

In June 2017, ImpediMed obtained a CE Mark for SOZO™ for multiple indications, including fluid status monitoring for heart failure patients and L-Dex® for lymphoedema monitoring. ImpediMed commenced commercial sales of SOZO™, with shipments of $0.1 million in the week following CE Mark being obtained.

We have also made great progress on our regulatory program for SOZO™ in the US. On 14 August 2017, we announced the issuance by the US FDA of a 510(k) clearance to market SOZO™ to aid in the clinical assessment of unilateral lymphoedema in the United States. The clearance occurred just weeks after filing our 510(k) application, as well as within just weeks of obtaining our CE Mark. We look forward to continuing this progress in the coming year, with the filing of multiple 510(k) applications for SOZO™ expected. As of today, an application has already been submitted for SOZO™ for fluid status monitoring for patients living with heart failure.

ImpediMed's 1,100 patient post-approval trial using L-Dex® is nearly fully enrolled. The principal investigator anticipates interim results to be released in the second half of the 2017 calendar year.

In the 2018 financial year, we will continue to add top-tier cancer centres in the US, with the expectation that integrating L-Dex® testing through SOZO™ into clinical work flow practices and systems will allow for routine and expanded use and adoption.

During the coming year, we also expect to continue the rapid progress towards commercialisation of the heart failure program in Australia, Europe and the US. We are working with world leading institutions on CHF trials and are gathering important clinical data. The pilot trials have IRB (Ethics) approvals in place and are short in duration. The sites are trained and now open for enrolment.

Key Catalysts for Growth

The introduction of SOZO™ will be instrumental in expanding L-Dex® testing to a wider group, beyond high-risk patients. On the heels of the 510(k) clearance for SOZO™ in the US, we are poised for expanded adoption of L-Dex® in the 2018 financial year and anticipate expanded monitoring of cancer patients.

We believe that ImpediMed is effectively building a strong body of clinical evidence, which will likely further drive acceleration in calendar year 2018. In addition to first data from ImpediMed's 1,100 patient post-approval trial, we expect that several new large, independent studies will release additional data in the coming year. An example of this data is the 596 patient trial in Tennessee that was released during the 2017 financial year. The study showed only 3% lymphoedema rates with L-Dex®, compared to 7%-36% expected without L-Dex®.

The expansion of published industry guidelines will also be a catalyst for ImpediMed in the coming year. NAPBC accreditation now requires survivorship care plan. Lymphoedema was introduced into NCCN guidelines in July 2015. In addition, L-Dex® was recommended in the American Physical Therapy Association Guidelines in July 2017. This continued expansion of clinical practice guidelines adds to the body of clinical evidence for L-Dex® and build a compelling case for Private Payors to initiate coverage in calendar year 2018.

As we progress through the 2018 financial year, we anticipate that these catalysts will lead to expanded adoption by clinicians and will lead to significant acceleration in US revenue in the second half of the year.

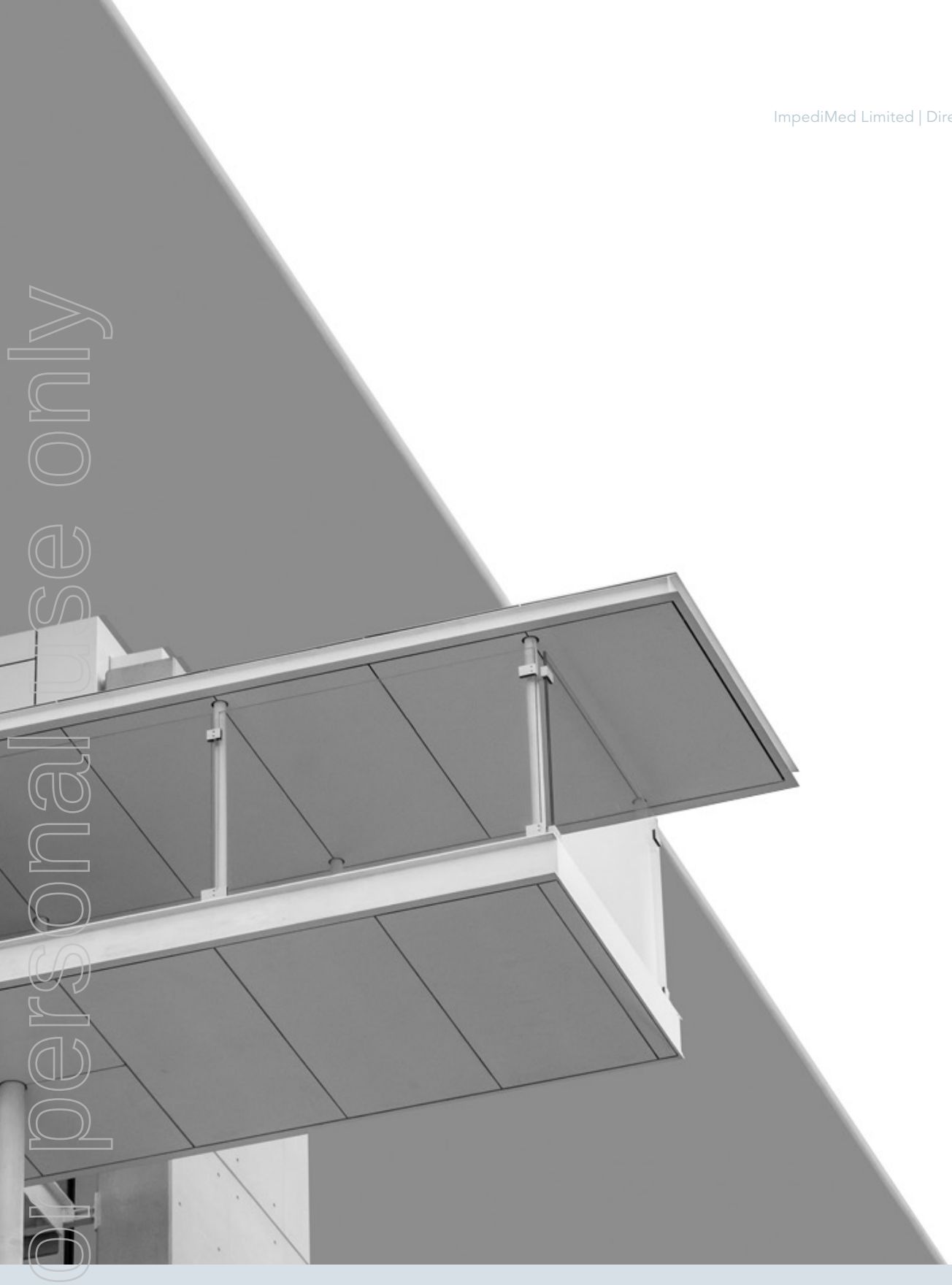
It has been a remarkable year for ImpediMed and our future is even brighter. We are excited to continue to deliver on our milestones over the next twelve-months and, as importantly, continue to improve the quality of lives of our patients.

My sincere thank you goes out to all our ImpediMed team members and their families. Without the dedication of our team members and the support of their families, ImpediMed would not be where it is today, on our journey to optimise the quality of lives of the patients we serve.

Yours sincerely,

Richard Carreon
Managing Director and Chief Executive Officer

Directors' Report



Directors

Your Directors submit their report for the year ended 30 June 2017.
Details of listed company directorships held since 1 July 2014 are provided.

Cherrell Hirst, AO, FTSE, MBBS, BEdSt, DUniv, FAICD, Non-Executive Chairman

Dr. Hirst took on the role of Chairman in November 2011.

Cherrell Hirst became a director of the Company on 1 August 2005. Cherrell is a medical doctor and was a leading practitioner in the area of breast cancer screening and diagnosis. Cherrell serves as the Chairman of the Board. Cherrell was appointed Deputy Chairman on 12 July 2011 and Chairman on 8 November 2011. Presently, she is also the Chair of ImpediMed Limited's Nomination Committee and serves on the Remuneration Committee and the Audit and Risk Management Committee. She is a Chair of Factor Therapeutics Limited, and a non-executive director of Medibank Private Ltd, the Gold Coast Hospital and Health Service and RSLCare RDNS.

Cherrell's areas of experience include clinical medicine with specific experience in clinical governance, broad experience in the medical/biotechnology industry from R&D to clinical trials, research governance and corporate governance.

COMPANY NAME	APPOINTED	RETIRED / RESIGNED
ImpediMed Limited	August 05	-
Factor Therapeutics Limited	June 09	-
Medibank Private Limited (i)	December 09	-

(i) Medibank Private Limited became publicly listed in December 2014.

David Adams, Juris Doctorate, BSc, Non-Executive Director

David Adams stood down from his position as Non-Executive Director and member of the Nomination and Audit and Risk Management Committees in August 2016 to take on an executive role with ImpediMed, as Senior Vice President of Ventures, Licensing and Corporate Development. David has extensive experience in the healthcare industry, including previous roles as Chief Operating Officer at InnerSpace Neuro Solutions, Inc, Vice President of Corporate Integration and Divestitures and Vice President of Cardiovascular Business Development at Medtronic, Inc.

COMPANY NAME	APPOINTED	RETIRED / RESIGNED
ImpediMed Limited	November 13	August 16

Directors (Continued)

Judith Downes, BA(Hons), DipEd, GradDipBus(Acct), FAICD, FCPA, FCA
Non-Executive Director

Judith Downes was appointed to the Board in April 2017, chairs the Audit and Risk Management Committee and serves on the Nomination Committee.

Judith brings over 20 years of accounting and senior management expertise to the Board with a strong focus on financial management and audit and risk management, with large ASX listed companies. During her executive career she held the roles of CFO at Alumina Limited (ASX: AWC) and as CFO/COO of Institutional Division, ANZ Banking Group Limited (ASX: ANZ).

Judith currently serves as Board Chairman of Bank Australia Limited, and as a member of The Financial Reporting Council of Australia. She is a Fellow of the CPA, Chartered Accountants Australia and New Zealand, and Australian Institute of Company Directors. Judith is an Honorary Fellow of the University of Melbourne's Faculty of Business and Economics and is also a past member of the University of Melbourne's finance committee.

Judith has significant experience in corporate governance, debt and equity raisings, financial reporting and Australian listing rules.

COMPANY NAME	APPOINTED	RETIRED / RESIGNED
ImpediMed Limited	April 17	-
Devine Limited	January 13	January 16

Elizabeth Gaines, Non-Executive Director

Elizabeth Gaines chaired the Audit and Risk Management Committee and served on the Nomination Committee until her retirement in February 2017. Elizabeth was appointed Chief Financial Officer of Fortescue Metals Group Limited in February 2017 and serves as a Non-Executive Director of Fortescue Metals Group Limited, NextDC Limited and Nine Entertainment Co Limited.

COMPANY NAME	APPOINTED	RETIRED / RESIGNED
ImpediMed Limited	March 16	February 17
Fortescue Metal Group Limited	February 13	February 17
NextDC Limited	June 15	February 17
Nine Entertainment Co Limited	March 16	February 17

Directors (Continued)

Gary Goetzke, Juris Doctorate
Non-Executive Director

Gary Goetzke has spent 15 years in senior management positions of three medical device companies where he led efforts in pursuing global coverage and payment policy for a variety of medical device therapies in the areas of cardiology, neurology, urology, pelvic health, wound care, orthopaedics, ENT and sleep. Gary is currently on the management committee of a global medical device company focused on the treatment of sleep apnea, in addition to serving as President and Chief Executive Officer of Compass Medical Advisors, LLC, an enterprise focused on developing regulatory, clinical and reimbursement-related mobile APPs for the medical device industry. Gary also serves as an Advisory Board Member for the Center for College Sleep.

Gary serves on the Remuneration and Nomination Committees.

COMPANY NAME	APPOINTED	RETIRED / RESIGNED
ImpediMed Limited	August 16	-

Amit Patel, MBA, BEng
Non-Executive Director

Amit Patel was appointed to the Board in March 2017 and serves on the Audit and Risk Management and Nomination Committees.

Amit Patel is a Co-Founder and CEO of Vios Medical, which has created an FDA-cleared patient management platform that integrates IoT-based monitoring, remote care services, and big data analytics to alleviate gaps in patient vigilance across in-hospital and home environments. Through a value-based innovation model, Vios is initially commercialising a step-down monitoring solution across major hospital systems in India, and is now part of the TMCx program at Texas Medical Center to catalyse market entry in the US.

Prior to founding Vios, Amit was with HeartFlow where he created a joint go-to-market strategy with GE Healthcare's imaging division, managed the DeFACTO clinical study across multiple UK sites, and developed a health economic story for the NHS. Prior to HeartFlow, Amit was with Medtronic's Corporate Development group and was responsible for acquisitions, minority investments, and joint ventures spanning existing businesses and strategic whitespace areas. Amit has a MBA from Stanford University and a Bachelors of Biomedical Engineering from the University of Minnesota.

COMPANY NAME	APPOINTED	RETIRED / RESIGNED
ImpediMed Limited	March 17	-

Directors (Continued)

Scott R. Ward, MS, BSc
Non-Executive Director

Scott Ward chairs the Remuneration Committee and serves on the Nomination Committee. Scott is the Chairman of the Board, President and CEO of Cardiovascular Systems Inc. and a Managing Director at SightLine Partners.

Scott has over 30 years of experience in the healthcare industry, including nearly 30 years at Medtronic, Inc. He was the Senior Vice President and President of the CardioVascular business of Medtronic Inc., responsible for all worldwide operations of the CardioVascular Business including the Coronary, Peripheral, Endovascular, Structural Heart Disease and Revascularization and Surgical Therapies businesses. Previously. Scott served as Senior Vice President and President of Medtronic Neurological and Diabetes, with responsibility for the global Neurological, Neurologic Technologies, Diabetes, Gastroenterology and Urology businesses; Vice President and General Manager of the Medtronic Drug Delivery Business; and Director of Medtronic NeuroVentures.

Scott is also the Founder of Raymond Holdings, LLC a firm with activities in venture capital, strategy and transactional advisory services. He holds a B.S. in genetics and cell biology and an M.S. in toxicology, both from the University of Minnesota.

Scott's 35+ years of experience in the healthcare industry, including his significant leadership experience of public medical device companies and his prior service on the boards of public medical device companies, make him a valuable contributor to the Board.

COMPANY NAME	APPOINTED	RETIRED / RESIGNED
ImpediMed Limited	July 13	-
Surmodics Incorporated (i)	September 10	March 15
Cardiovascular Systems Incorporated (i)	November 13	-

(i) US-based publicly traded company.

Michael Panaccio, PhD, MBA, BSc (Hons), FAICD - Non-Executive Director

Michael Panaccio served on the Remuneration Committee and the Nomination Committee until his retirement in August 2016. Michael is an investment principal and founder of leading Australian venture capital firm Starfish Ventures Pty Ltd, a venture capital manager focusing on investments in medical devices, therapeutics and IT companies. Michael, and entities he is associated with including funds managed by Starfish Ventures, held approximately 6.8% of ImpediMed Limited's ordinary shares at 30 June 2017.

COMPANY NAME	APPOINTED	RETIRED / RESIGNED
ImpediMed Limited	January 07	August 16
dorsaVi	May 08	-

Directors (Continued)

Donald Williams, CPA
Non-Executive Director

Donald Williams was appointed to the Board in March 2017 and serves on the Audit and Risk Management and Nomination Committees.

Don has more than 35 years of experience providing strategic guidance and operational oversight as a Certified Public Accountant (CPA) and an accredited public company director. Don has significant experience assisting companies and management teams with initial public offerings, complex business challenges and analysis of financial reporting matters. His breadth of experience includes a diverse set of growing domestic and international companies including- venture financings, public equity offerings, public debt offerings, mergers and acquisitions, and interaction with the US Securities and Exchange Commission and Public Company Accounting Oversight Board.

While at both Ernst & Young and Grant Thornton, Don was focused on the Life Sciences Industry. For over 15 years, he directed Ernst & Young's Venture Capital and Emerging Growth Markets in the Southeast Market and in the Pacific Southwest Market. During his seven years at Grant Thornton he was the National Leader of the United States Life Sciences Industry. His oversight of the National Life Sciences Industry included setting strategy, establishing the sales and marketing plan and oversight of industry operations.

COMPANY NAME	APPOINTED	RETIRED / RESIGNED
ImpediMed Limited	March 17	-
Akari Therapeutics (i)	June 16	-
Alphatec Holdings Inc (i)	May 15	-
Marina Biotech Inc (i)	September 14	-

(i) US-based publicly traded company.

Directors (Continued)

Richard Carreon
Executive Director

Richard Carreon was appointed to the Board as Executive Director in May 2015. Rick joined ImpediMed in July 2012 as President and CEO. Rick has more than 30 years of experience in management, sales and marketing, spanning the consumer products and medical technology industries. Rick has more than a decade of executive experience working for Medtronic, a leading global manufacturer of cutting-edge medical devices, and therapies. His roles at Medtronic included Vice President, US Cardiovascular Commercial Operations; Vice President of Sales – Structural Heart; Vice President of Sales and Marketing Medtronic Gastroenterology and Urology; and Vice President of Sales - The Americas.

Rick has a strong sales background, extensive marketing strategy and execution experience, and a proven track record of success. He is renowned for building start-up and high-growth ventures, turning around strategic business units, penetrating new markets and delivering strong and sustainable profits, revenues and market share value. At Medtronic, Rick led strategic direction and tactical planning for several sales organizations within Medtronic's $1.1B Cardiovascular Sector. Rick was handpicked to lead the start-up of Medtronic Gastroenterology and Urology, a high-risk business venture, growing revenues threefold, and building that venture into the fastest growing business in Medtronic.

COMPANY NAME	APPOINTED	RETIRED / RESIGNED
ImpediMed Limited	May 15	-

Directors (Continued)

Interest in the Shares and Options of the Group and related Body Corporate

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

DIRECTOR	ORDINARY SHARES
C Hirst AO	1,216,924
J Downes	82,600
G Goetzke	-
A Patel	-
S Ward	225,000
D Williams	-
R Carreon	452,858

Leanne Ralph
Company Secretary

Leanne Ralph was appointed to the position of Company Secretary in January 2015. Leanne has over 15 years' experience in company secretarial roles for various publicly listed and unlisted entities and is a member of the Governance Institute of Australia and the Australian Institute of Company Directors. Leanne is the principal of Boardworx Australia Pty Ltd, which supplies bespoke outsourced Company Secretarial services to a number of listed and unlisted companies.

Executives

Executives

Frank Vicini
Chief Medical Officer

Morten Vigeland
Chief Financial Officer

David Adams
Senior Vice President
Ventures, Licensing &
Corporate Development

Catherine Kingsford
Senior Vice President
Medical Affairs

Dennis Schlaht
Senior Vice President
R&D and Technology

Dividends

No dividends were paid or proposed to be paid to shareholders for the year ended 30 June 2017.

Principal Activities

ImpediMed is a global provider of medical technology to measure, monitor and manage fluid status and body composition. 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.

Operating and Financial Review

Group Overview

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

The Group consists of four entities:

- ImpediMed Limited, the Parent company operating in medical markets in regions outside the US; incorporated in 1999 and listed on the ASX on 24 October 2007.
- ImpediMed, Inc, a Delaware corporation operating in medical markets in North America.
- ImpediMed Hellas, a Kalamaria, Greece corporation operating in a research & development and marketing capacity in Europe.
- 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

Total comprehensive loss for the period was $29.7 million (2016: $23.6 million). The loss from continuing operations after income tax and the net loss for the year ended 30 June 2017 were $27.6 million (2016: $26.0 million). The increased loss from continuing operations, when compared with the prior year, is primarily attributed to (1) an increase in sales related activities as the Group continued the commercial launch of L-Dex® for early detection of lymphoedema and (2) an increase in research & development expenses related to the development of SOZO™ as part of the Group's expansion into new indications for ImpediMed's patented Bioimpedance Spectroscopy (BIS) technology. The increased total comprehensive loss, when compared with the prior year, relates to a $2.2 million loss on foreign currency translations of foreign subsidiaries.

The Group made significant strides in the commercial rollout of L-Dex® during the year, with 110 leading US cancer centres having adopted the technology since the beginning of the commercial launch in January 2016. In addition, 16 of 27 NCCN member institutions are now using L-Dex®.

The Group also made significant advancements in the development of SOZO™. SOZO™ is the world's first connected health platform using the patented BIS technology, enabling early detection and better management of chronic disease in both clinic and at-home settings. During the year, the Group obtained a CE Mark for SOZO™, covering multiple indications including fluid status monitoring for heart failure, L-Dex® for lymphoedema monitoring, hydration monitoring, and body composition. The CE Mark specifies that SOZO™ is a BIS connected platform for use on human patients. The device is designed for use in hospitals, clinics, and in patient's homes under a clinician's direction.

Following this regulatory milestone, the Group immediately commenced the commercial sales of SOZO™ in Europe and Australia, with the shipments of $0.1 million in the week following the CE Mark being obtained on 21 June 2017. Large hospital systems will be the first customers to use SOZOhub, ImpediMed's enterprise software, to connect devices for various fluid and body composition indications.

The average exchange rate for the reporting period was US dollar (USD) $0.754 to Australian dollar (AUD) $1.00 (2016: USD $0.728). During 2017, the Group incurred unrealised mark-to-market foreign currency translation losses of less than $0.1 million (2016: $2.3 million). The small loss in the current period relates to exchange rate fluctuations in moving funds between entities for operations. In the prior period, the loss related to holding a balance of US-denominated funds in the Parent company during a period of high fluctuation in exchange rates. The unrealised loss was offset by a foreign currency translation gain in the Consolidated Statement of Comprehensive Income.

SOZO™ Milestones and the Journey to a CE Mark

June 2017

SOZO™ obtains CE Mark for multiple indications, including fluid status monitoring for heart failure, L-Dex® for lymphoedema monitoring, hydration monitoring, and body composition.

June 2017

ImpediMed commences targeted launch of SOZO™ in Europe and Australia, with first commercial sales and shipments underway.

June 2017

Macquarie University commences enrolment in Lymphoedema study using production SOZO™ devices to determine the best practices for at-home lymphoedema monitoring.

April 2017

SOZO™ shipped to Vanderbilt University to commence at-home study in Lymphoedema with its next generation device.

March 2017

Placement of first SOZO™ Unit at Scripps Health for initial study for monitoring patients with chronic heart failure in a clinical setting.

October 2016

Mayo Clinic, together with Atlantic Health System, to use SOZO™ in a feasibility study for monitoring patients with heart failure.

August 2016

SOZO™ pre-launch announced.

August 2016

Scripps Health to use SOZO™ in a validation study for monitoring patients with heart failure who are currently being tracked using pulmonary artery pressure monitoring.

July 2016

Partnered with Redox to expand electronic health record (EHR) integration for the SOZO™ device.

July 2016

Partnered with Vanderbilt University for a series of patient and clinician human factors testing using the SOZO™ device.

Lymphoedema in the News

L-Dex® recommended in clinical practice guidelines: The Oncology Section of the American Physical Therapy Association (APTA) developed and published an evidence-based, clinical practice guideline for lymphoedema diagnosis and management and recommends L-Dex® for patients at risk of, or with early stage, lymphoedema in cancer survivors.

L-Dex® Study published showing significant reduction in clinical lymphoedema and covering 596 patients over six years; the study, which is the largest L-Dex® study to date, showed that prospective monitoring and intervention with L-Dex® resulted in just a 3% rate of Breast Cancer Related Lymphedema (BCRL).

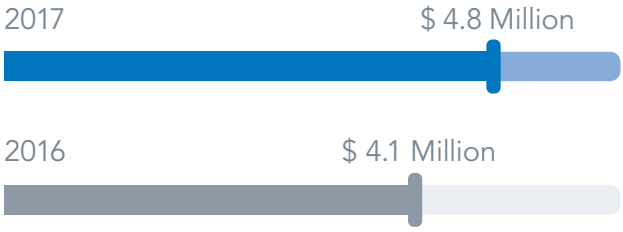
The Centers for Medicare and Medicaid Services (CMS) published the proposed outpatient payment rates for calendar year 2017, which includes an increased payment rate for code 93702 when billed by a hospital outpatient facility to an average of $US 127.42, an increase of 13.1%.

Study on efficacy of L-Dex® in routine clinical practice published, which demonstrates the impact L-Dex® can have on patients at-risk for Breast CancerRelated Lymphoedema.

Operating and Financial Review (Continued)

Operating Results for the Year (Continued)

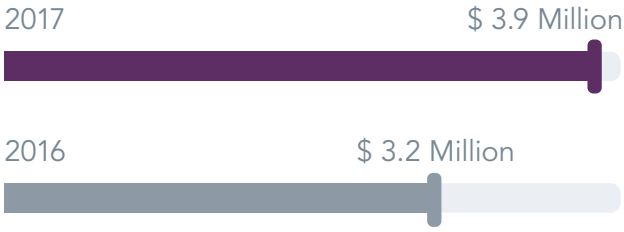
Medical Revenue
For the year ended 30 June



Revenue related to goods and services remained flat for the year ended 30 June 2017 at $5.8 million (2016: $5.8 million), The change by operating segment was a $0.7 million increase in Medical revenue, with a $0.7 million offsetting decrease in Test & Measurement (T&M) revenue.

Within the Medical segment, Oncology product revenue increased by $0.7 million to $3.9M, or an increase of 22% year over year.

Oncology Revenue
For the year ended 30 June



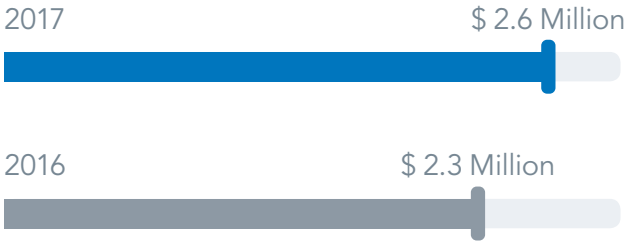
During the period, the Group sold its products through a mix of employed sales reps and independent distributors. In the US Oncology market, the Group has an employed, direct sales force that focuses on the sale of the L-Dex® U400 and its associated patient assessments.

Operating and Financial Review (Continued)

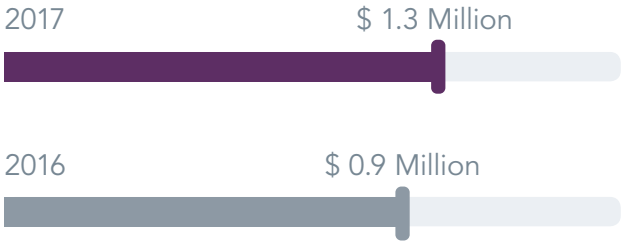
Operating Results for the Year (Continued)

ONCOLOGY REVENUE

Consumable Revenue
For the year ended 30 June



Device Revenue
For the year ended 30 June



Cost of sales for the current period were $1.5 million, a decrease of 6% (2016: $1.6 million). The decrease in cost of sales related to a larger mix of revenue stemming from the medical segment compared to the prior period. The medical segment also saw an increase in gross margin as a larger portion of revenue was generated from the sale of the Group's consumable products, which have a higher gross margin than devices. The gross margin for the Group increased to 74% for the current period (2016: 72%), net of finance income.

Salaries and benefits increased to $17.4 million, an increase of 16% (2016: $15.0 million). The employee headcount at 30 June 2017 was 76 (2016: 56). The increase in salaries and benefits and employee headcount in the current year were primarily due to the continued focus by the Group on the development of SOZO™, as the development required additional technical expertise and support during the year. In addition, the Group continued the expansion of US sales and marketing activities, as the Group continued the full commercial launch of L-Dex® in the US marketplace and began to pursue the Chronic Heart Failure (CHF) business.

Research and development expenses increased to $4.0 million, an increase of 67% (2016: $2.4 million). The increase in research and development expenses related to the continued focus by the Group on the developmen of SOZO™, as the Group completed the initial development of SOZO™ for CHF. The work focused on mechanical, electrical and software design, as well as preproduction runs and validation and verification testing.

Clinical Trial expenses decreased to $1.3 million, a decrease of 19% (2016: $1.6 million). The decrease in expense for clinical trials occurred due to the Group's commitment related to unrestricted grants for a medical registry concluding during the year, offset slightly by an increase in direct clinical trial expenses. The increase in direct clinical trial expenses occurred in line with the continued enrolment of patients in the post-approval clinical trial of L-Dex®, Prevent. The trial features sites such as Macquarie University Cancer Institute out of Australia and Vanderbilt University, the Mayo Clinic Cancer Center, the University of Texas MD Anderson Cancer Center, the University of Kansas Cancer Center and other centres out of the US. The Group also progressed on the CHF clinical program, as the Group established a European Medical Advisory Board for CHF and initiated a feasibility study using SOZO™.

Operating and Financial Review (Continued)

Operating Results for the Year (Continued)

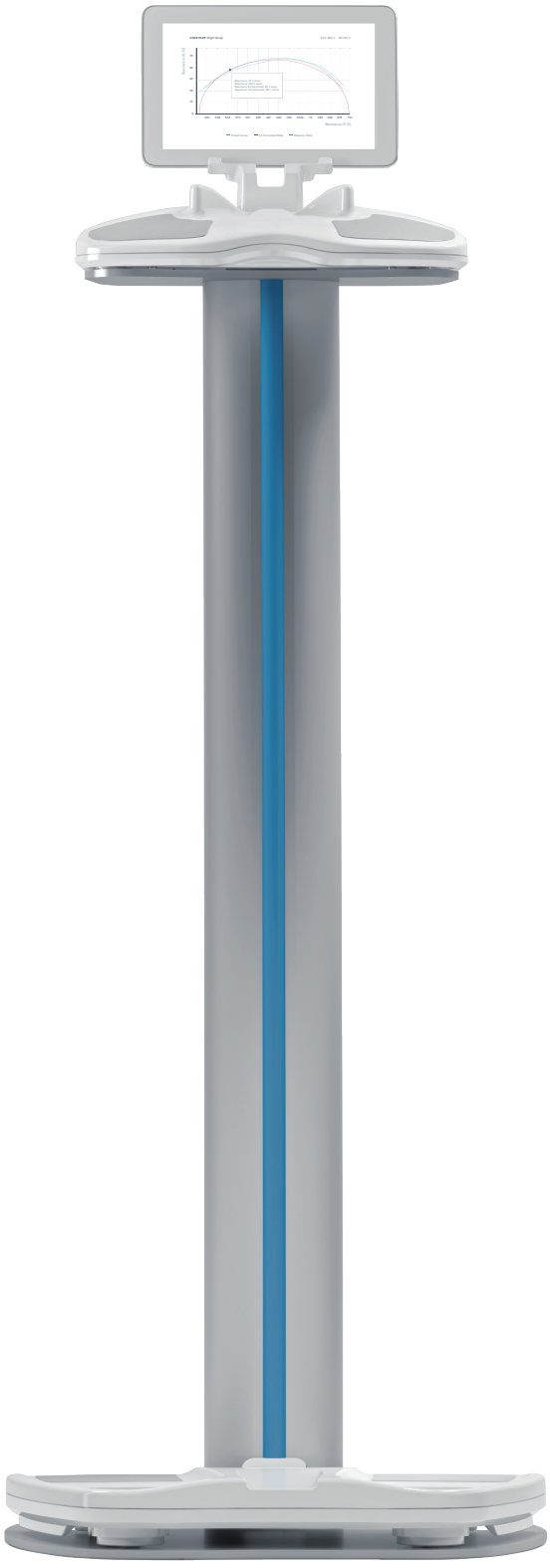
Administrative and governance related expense decreased to $2.6 million, a decrease of 35% (2016: $4.0 million). The decrease in the current financial year was primarily related to foreign currency movements. The prior financial year contains a $2.3 million foreign currency loss related to the Parent entity holding US dollars during a period of fluctuating exchange rates. During the prior year those funds were transferred to the Group's US subsidiaries, with an offsetting foreign currency gain recorded in Total Comprehensive Loss within the Foreign Currency Translation Reserve.

The decrease in the current financial year from foreign currency movements was offset by an increase in inventory impairment related to the Group's legacy bioimpedance spectroscopy (BIS) measurement devices and componentry.

Consultants and professional fees decreased to $3.0 million, a decrease of 6% (2016: $3.2 million). The decrease in the current financial year was primarily due to a decrease in professional fees, as certain patent related fees in the prior year were not required in the current year.

Rent and property expenses increased to $0.5 million, an increase of 67% (2016: $0.3 million). The increase in the current financial year relates to rent expense under the Group's premises operating leases. The current financial year contains a full year of expense for the Group's North American regional sales office, as well as nine-months of expense for the Group's European research and development office.

Non-cash share-based payment expense increased to $2.6 million, an increase of 4% (2016: $2.5 million). The increase primarily related to option and performance right grants issued to key management personnel (KMP) and new hires during the current financial year.



Activities Affecting Operating Results

Activities Effecting Operating Results

Entered into a three-year joint development agreement with the Mayo Clinic to advance new solutions for ImpediMed's fluid status and body composition monitoring technology.

Established European CHF Medical Advisory Board to advise the Group on the clinical utility for the use of BIS in fluid detection for chronic heart failure patients.

Partnered with Redox to expand the capabilities of electronic health record (EHR) integration for the SOZO™ device.

Scripps Health will use the SOZO™ device in a validation study for monitoring patients with heart failure who are currently being tracked using pulmonary artery pressure monitoring.

Partnered with Vanderbilt University for a series of patient and clinician human factors testing using the SOZO™ device.

Mayo Clinic, together with the Atlantic Health System, will use the SOZO™ device in a feasibility study for monitoring patients with heart failure, to provide real-world data necessary for the final design of the pivotal trial.

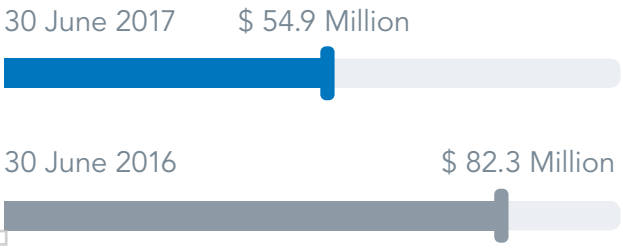
Significant Changes in the State of Affairs

Review of Financial Condition - Liquidity and Capital Resources

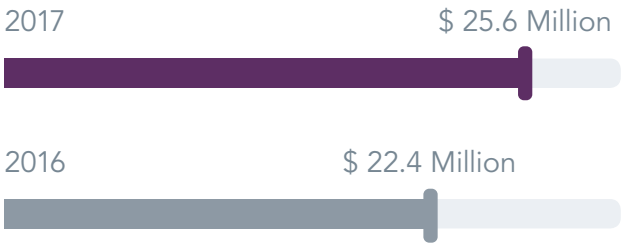
Cash and cash equivalents were $54.9 million at 30 June 2017, a decrease of 33% (2016: $82.3 million). Net cash used in operating activities for the period was $25.6 million, an increase of $3.2 million (2016 $22.4 million). The increase was primarily related to the research and development of the Group's next generation device, SOZO™, as the Group completed the initial development of the connected device during the year and launched SOZO™ commercially in Australia and Europe. The increase also related to the Group's focused efforts in sales and marketing activities in connection with the US commercial launch of L-Dex®, as strong momentum was built in US adoption of L-Dex® for lymphoedema during the year.

The Group maintains a significant portion of available funds in US dollars to match US dollar expenditure needs. The loss from continuing operations for the period before income tax includes a realised foreign exchange loss arising from the operating expenses in the US. The spot exchange rate for the beginning of the reporting period was AUD $1.00 to USD $0.744, compared to USD $0.769 at the end of the reporting period. The spot exchange rate for the beginning and end of the comparative period ending 30 June 2016 was AUD $1.00 to USD $0.766 and USD $0.744, respectively.

Cash and Cash Equivalents



Net Cash used in Operating Activities



Raised Capital - Share Issues During the Year

Cash flow from financing activities generated was $0.7 million during the period (2016: $71.5 million). The following outlines the capital raised during the year ended 30 June 2017:

- $0.7 million, net of transaction costs, from July 2016 - June 2017 through the issue of 1,941,565 ordinary shares stemming from employees and participants exercising options (2016: $0.3 million on 1,271,233 ordinary shares).

In the prior period, the Group completed a Capital Raise through a two-tranche private placement ("Placement") and Share Purchase Plan ("SPP") between February - March 2016.

Issued capital increased to $219.5 million at 30 June 2017 (2016: $218.8 million). Total equity decreased to $58.8 million at 30 June 2017 (2016: $85.3 million) due to the Loss from Continuing Operations during the period.

Significant Changes in the State of Affairs
(Continued)

Dynamics of the Business

The Parent and its wholly owned subsidiary, ImpediMed, Inc., are global providers of medical technology that measures, monitors, and manages fluid status and body composition. These entities generate the bioimpedance spectroscopy (BIS) revenue for the Group through the sale of medical devices and the associated patient assessment consumables.

ImpediMed's proprietary BIS technology sends 256 unique frequencies through the body to assess both intra- and extracellular fluid. By detecting small amounts of fluid changes, it can help health care providers better detect and manage chronic disease in patients and give individuals information to better manage their health.

The BIS technology is currently available for an oncology indication in Australia and in the United States for aid in the early assessment of secondary unilateral lymphoedema of the arm and leg in women and the leg in men.

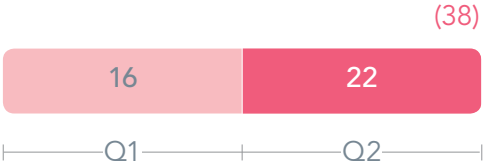
The primary sales focus for much of the current year was the sale of the L-Dex® U400® device and the associated patient assessment consumables. Customers order patient assessment consumables based on their individual needs and pricing for customers will vary depending upon the purchase price of the device and the number of patient assessment consumables being purchased.

Under certain agreements, the Group may retain title to the device and carry it in property, plant and equipment, depreciating the device over three years.

Revenue is generated through the sale of devices and patient assessment consumables in both the oncology and body composition areas of the medical segment, as well as through device sales and service revenue from the test and measurement segment in XiTRON Technologies, Inc.

Revenue in the 2017 financial year was marked by an increase of 22% in the Oncology market over the prior financial year.

Trained Accounts in Calendar Year 2017



Targeted Accounts in Calendar Year 2017

Significant Events after the Balance Date

On 21 August 2017, the Group announced the submission of a premarket notification 510(k) application for SOZO™ to the US Food and Drug Administration (FDA) for fluid monitoring of patients, including patients living with heart failure.

On 14 August 2017, the Group announced the issuance by the US FDA of a 510(k) clearance to market SOZO™ to aid in the clinical assessment of unilateral lymphoedema in the United States.

On 8 August 2017, the Group announced first patient enrolment in SOZO CHF Trial at Scripps Health. This initial study will monitor up to 30 patients with chronic heart failure in a clinical setting for 30 days, and is expected to be completed in calendar year 2017. The real-world data generated will be used to form the basis for the design of the larger scale trial expected to be initiated by late calendar year 2017.

On 17 July 2017, the Group announced the submission of a premarket notification 510(k) application for SOZO™ to the US FDA to aid in the clinical assessment of lymphoedema. The submission uses ImpediMed's current medical device, the L-Dex® U400®, as a predicate. The L-Dex® U400® obtained its most recent FDA clearance in June of 2013.

On 4 July 2017, the Group announced that the Oncology Section of the American Physical Therapy Association (APTA) has developed and published an evidence-based, clinical practice guideline for lymphoedema diagnosis and management. The APTA is an organisation of professional Physical Therapists managing the needs of patients resulting from the treatment of active cancer disease. The oncology section commissioned the writing of evidence based guidelines for secondary lymphoedema in cancer survivors. This clinical practice guideline recommends L-Dex® for patients at risk of, or with early stage, lymphoedema of the arm for both detection and ongoing management.

Likely Developments & Expected Results

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

US Commercialisation of L-Dex® Poised for Sustained Acceleration

Lymphoedema is a leading post-treatment complication for many cancer patients and greatly impacts quality of life. Simple and accurate measurement of fluid in limbs allows early detection and intervention. L-Dex® detects the onset of lymphoedema very early. If detected early, the progression of lymphoedema can be prevented, and often reversed.

As of the end of the current financial year, over 100 major multi-disciplinary cancer centres have incorporated L-Dex® in to their clinical work flow practices.

The Group expects to continue the US Commercial launch of L-Dex®, with a focus being placed on integrating L-Dex® testing into clinical work flow practices and systems in preparation for routine use and adoption once SOZO™ is available.

Since the end of the financial year, the Group has already obtained a 510(k) clearance from the US FDA for SOZO™ to aid in the clinical assessment of lymphoedema.

The Group expects to see sustained acceleration in L-Dex® revenues, a result of the anticipated SOZO™ device sales and the widespread monitoring of cancer patients (reimbursed by Medicare at US $127 per patient assessment).

In addition, the Group believes that ImpediMed is building a compelling case for Private Payors to initiate coverage in calendar year 2018 and expects that the introduction of private payors would further drive acceleration.

The two main drivers of Private Payors are:

1. Global Clinical Trial Data
   - ImpediMed's own 1,100 patient post approval trial, led by 5 top 50 cancer centres and 3 National Comprehensive Cancer Network (NCCN) institutions, is nearly fully enrolled
   - Principal Investigator expects interim results in the second half of the 2017 calendar year
   - Various independent trials are being conducted worldwide

2. Published Industry Guidelines
   - National Accreditation Program for Breast-Centers (NAPBC) accreditation requires survivorship care plan
   - Lymphoedema introduced into NCCN guidelines in July 2015
   - L-Dex® recommended in American Physical Therapy Association Guidelines in July 2017

EXPECTED RESULTS AND NEWS FLOW

L-Dex® Adoption and Revenue Growth

The Group expects revenue, specifically related to the medical operating segment, to continue to grow. The Group expects the adoption of L-Dex® to continue and believes that the introduction of SOZO™ will be instrumental in expanding beyond high-risk breast cancer patients. FDA clearance for SOZO™ for lymphoedema will be a major catalyst for significant acceleration of revenue.

The Group will continue to build its body of clinical evidence. The Principal Investigator from the Vanderbilt PREVENT trial expects interim results during the year, and several new large, independent studies are expected to be released. The Group expects that private payors will begin coverage of L-Dex® during the year, which is likely to be a catalyst for broad adoption in the US.

The Group will continue building its customer base across top tier cancer centres in the US. In addition, the Group will likely expand into selective markets in Europe and other territories.

Likely Developments & Expected Results
(Continued)

Chronic Heart Failure

Chronic Heart Failure (CHF) is a chronic, progressive and debilitating condition and it is among the most expensive diseases for the US health care system. Assessing/monitoring fluid status is critical to the management of CHF patients, as a change in fluid status may signal the need to increase or decrease medication levels. By administering the appropriate medication levels, the length of hospital stays and readmissions for patients can be significantly reduced.

The Group believes that SOZO™ can play a vital role in optimising outcomes for CHF patient management. Current monitoring methods have major shortcomings due to inaccuracy (weight scales) or due to their invasiveness and expense (implantables). SOZO™ is uniquely positioned to replace current monitoring methods. The device provides the precision and accuracy of implantables at the cost of a scale.

The Group expects to continue to make progress towards commercialisation of the heart failure program in Europe and the US. Since the end of the financial year, the Group has already submitted a premarket notification 510(k) application for SOZO™ to the US FDA for fluid monitoring of patients, including patients living with heart failure.

The Group expects to begin an initial launch in Europe in the second half of the 2017 calendar year. The initial US launch would likely commence subsequent to receiving all necessary regulatory clearance and approvals.

EXPECTED RESULTS AND NEWS FLOW

SOZO™ for Heart Failure

The Group expects to continue to generate a net loss in the 2018 financial year while it focuses on the US Commercialisation of L-Dex® and the rollout of SOZO™ for heart failure.

Initial adoption of SOZO™ for heart failure began at the end of the 2017 financial year in Europe and Australia, after the Group obtained a CE Mark in June 2017.

As a result of the Group's recent submission of a 510(k) application for SOZO™ for fluid monitoring of hear failure patients, the Group expects that the commercial launch of heart failure would commence after receiving all required FDA clearances.

In addition, the Group expects that the pilot trials related to heart failure will be completed and reported during the year. Following the completion of those pilot trials, the Group is likely to initiate a larger multi-centre marketing trial.

The Group expects to have the ability to fund these losses with current cash and cash equivalents.

Significant Risks to the Business

The Group has a formal written Risk Management Policy that is published on ImpediMed's website.

The identification and proper management of risk within the Group is an important priority for the Board and Management. The Board monitors risk within the Group to ensure high standards of operational quality and compliance with the Group's approved strategies, policies and procedures. It ensures the Board is aware of any material risk issues and assesses the viability of the Group's operations.

The Group continues a proactive approach to risk management. Management, together with the Board and the Audit & Risk Management Committee, continually assess the key risks and their potential effect on the business. The Group undergoes, at minimum, an annual review of the risk management framework to determine whether there have been any changes in material business risks faced by the entity.

During the financial year, the Group identified the following major risks to the business in the foreseeable future:

- The availability of capital resources
- The retention and hiring of key personnel
- The strength of the Group's Intellectual Property portfolio
- The progress and/or outcome of clinical trials
- The adoption of the Group's technology
- The risk of not meeting continuous disclosure obligations
- The progress of new product development
- The risk related to product liability and cyber-security breaches
- The effective management of the Group's supply chain

These risks are not ranked in any order of importance or timeframe. The intention of the Group's risk management framework is to identify risks to allow the Group to plan, assess and execute its strategies. Risk monitoring and assessment activities are designed to reduce, or otherwise manage, risk to levels that are acceptable to the Board and Manage ment. The Board and Management must be kept fully informed in relation to all risk to ensure that the correct decisions in the best interests of the Group are made and that its strategic plans are realised.

In assessing the availability of capital resources, the Group is continuing to manage its cash position carefully under its operating plan and longer-term strategic plan. The Group may raise additional capital if needed.

In assessing the retention and hiring of key personnel, the Group is continuing to consult with remuneration consultants to review the competitiveness of remuneration packages for current and future key management personnel. The Group may or may not be able to retain or hire key personnel based upon its remuneration structure. Details of retention and hiring policies of the Group are set out in the Remuneration Report.

In assessing the strength of the Group's Intellectual Property, the Group continues to consult with IP attorneys on the landscape of the Group's portfolio. The Group uses patents or trademarks to protect its technology and applications from unauthorised use by third parties. The term of patents may expire or may be challenged, invalidated or circumvented. The Group is relying on its patents for commercial protection for its devices.

In assessing the progress and/or outcomes of clinical trials, the Group continuously monitors key clinical trials which have been published and evaluates potential areas of further research. The outcomes of clinical trials may or may not be favourable.

In assessing the adoption of our technology, the Group is focused on developing a model for practice integration, in both L-Dex® and future applications, for all existing and new accounts. This, together with evaluating the cost of the technology, fit of the technology, inclusion on guidelines, and reimbursement/payment levels for the technology, will all play a part in determining the future growth of the business.

Significant Risks to the Business (Continued)

In assessing continuous disclosure obligation risks, failure to disclose material information or to disclose incorrect information or correct information in an incorrect manner is a potential risk. The Group continuously monitors the business for material information required to be disclosed and conducts regular Management and Board meetings to discuss business progress and activities.

In assessing the progress of new product development, the Group runs the risk of not meeting timelines or not making the right product that addresses customer and market needs. The Group follows a defined design control process and monitors projects to ensure that they are staffed correctly. In addition, the group conducts usability studies to determine customer and patient needs.

In assessing the risk related to product liability, the Group conducts extensive safety testing of new and current technology and regularly reviews customer complaints through its quality procedures and system. The risk is present that ImpediMed products could:

(1) cause harm or injury to users,
(2) be used off label,
(3) require a recall, or
(4) result in a breach to digital assets such as cyber security data.

In assessing the effective management of the Group's supply chain, the Group must assess the risk of not having enough product to meet demand due to product shortages or supply chain issues. The Group manages the supply chain through sales and operation planning and sustaining engineering, as well as through long-term strategic product pipeline planning.

The Board, in conjunction with Management, has established and implemented a system for identifying, assessing, monitoring and managing material risk throughout the organisation. The Board has identified what are believed to be the highest perceived risks to the business and will continue to monitor these risks to make decisions in the best interest of the Group.

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 components free of hazardous substances. The Group is supporting the global move towards components free of hazardous substances in its device electronics and is working with its contract manufacturers to identify replacement parts, where necessary, to substitute into its device designs.

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.

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 and performance rights as outlined below:

	23 AUG 2017	30 JUN 17
EIP Options	13,476,000	13,476,000
ESOP Options (i)	15,547,827	15,547,827
Total Options	29,023,827	29,023,827
EIP Performance Rights	3,638,000	3,638,000
Total Performance Rights	3,638,000	3,638,000
	32,661,827	**32,661,827**

(i) 7,252,561 options were issued to the CEO in financial year 2013 as part of his hiring package. These options were issued outside of the ESOP plan but are now listed together as no additional options will be issued under the ESOP.

Refer to Note 18 of the financial statements for further details of options and performance rights outstanding and the value of the share-based payments.

Option holders and performance right holders do not have the right, by virtue of the option or performance right, 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, 1,823,254 ESOP options (2016: 1,259,357) and 118,311 EIP options (2016: 11,876) were exercised. Refer to Note 18 of the financial statements for further details of options exercised during the year.

During the financial year, nil ESOP options (2016: 379,790) and 1,926,689 EIP options (2016: 922,124) were forfeited; 30,151 ESOP options (2016: 206,828) and nil EIP options (2016: nil) expired. Refer to Note 18 of the financial statements for further details of options forfeited or expired during the year.

Shares Issued as a Result of the Exercise of Options

During the financial year, KMP exercised options to acquire 487,250 fully paid ordinary shares in ImpediMed Limited at a weighted average exercise price of $0.32 per share. The weighted average exercise price of all options exercised during the period was $0.37.

Indemnification and Insurance of Directors and Officers

The Group insured its Directors, Secretary and Executive officers for the financial year ended 30 June 2017 and bound coverage for financial year 2018. 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.

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 or Executive.

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.

Indemnification of Auditors

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Employees

As at 30 June 2017, ImpediMed and its subsidiaries had a total of 76 full and part-time employees (2016: 56 employees).

Diversity

The Group has a formal written Diversity Policy that is published on ImpediMed's website.

The Board adopted an updated Diversity Policy on 8 March 2017. The Board has the role of overseeing the implementation of this policy and assessing progress in achieving its objectives.

Diversity refers to characteristics that make individuals different from each other. Diversity encompasses differences in backgrounds and experiences, and differences in approach and viewpoints. It includes factors such as gender, age, ethnicity, cultural background, language, disability and other areas of potential difference.

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

The Group is committed to creating and ensuring a diverse work environment in which everyone is treated fairly and with respect and where everyone feels responsible for the reputation and performance of ImpediMed. The Board and Management of ImpediMed believe that ImpediMed's commitment to this policy contributes to achieving corporate objectives and embeds the importance and value of diversity within the culture of the Group.

LEVEL	30 JUN 17		30 JUN 16	
	Female	Total	Female	Total
Board of Directors	2	7	2	6
Executives	2	7	2	7
Senior Managers	9	20	8	14

Corporate Governance

On 27 March 2014, the ASX Corporate Governance Council (CGC) released the third edition of their corporate governance principles and recommendations, including ASX listing rule 4.10.3.

Details of ImpediMed's corporate governance policies and procedures, including information about Board Committees and Corporate Charters, can be found on the Group's website under the Investor Relations section:

https://investors.impedimed.com/about/corporate-governance/

Remuneration Report (Audited)

This Remuneration Report outlines the remuneration arrangements for the Key Management Personnel (KMP) of the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its Regulations.

The report is structured into the following sections:

Contents

1 \\ Introduction

ImpediMed is committed to establishing a remuneration strategy that effectively aligns executive compensation with shareholder value creation. The Board's remuneration committee works to balance Australian corporate governance and remuneration best practices with the business' need to provide remuneration that will attract, retain and motivate key US-based executive talent in a highly competitive market.

ImpediMed's strategy is to deliver medical technology to measure, monitor and manage fluid status and body composition. The Group is at a potentially transformative stage of our development, as we seek to develop our next generation device and enter new disease spaces, including heart failure. The ability to retain and attract specialised talents is critical to achieving the important regulatory, clinical and commercial milestones on which the success of our strategy depends.

New remuneration components implemented in the 2017 financial year

Performance-based Remuneration

The remuneration arrangements for the 2017 financial year remain broadly consistent with the previous period. A key update to the remuneration structure of the Group is the inclusion of performance-based remuneration tied to long-term incentive (LTI) hurdles in the at-risk remuneration mix for executive KMP. This update ties KMP remuneration to performance hurdles that support the Group's long-term business strategy and ultimately create shareholder value.

Key developments expected for the 2018 financial year

Performance-based Remuneration

In the 2018 financial year, the Group will look to continue increasing the weighting of performance-based equity in the LTI program. The proportion of KMP equity grants that are subject to specified performance and service conditions will likely be increased in the 2018 financial year. The use of share-based remuneration is essential to retain and motivate key talent.

Equity Plans

The Group will also conduct a review of the share-based payment equity plans, including the Employee Incentive Plan (EIP). The EIP was introduced in 2014 and is reaching capacity. It is likely that the Group will ask the shareholders for approval of an additional share-based payment equity plan in the 2018 financial year, to support the share-based remuneration program.

Comparator Groups

During the 2017 financial year, the Remuneration Committee conducted a comprehensive review of the Group's Comparator Companies to ensure that the most relevant and appropriate companies are used to benchmark ImpediMed Executive and board remuneration. In reviewing remuneration for the 2018 financial year, the Committee, with the assistance of the Group's independent remuneration consultants, adopted a more refined approach to selecting comparator companies by reference to key characteristics including industry, financial size and labour market. This improved approach is also intended to better reflect ImpediMed's geographic footprint, which includes a listing on the Australian Securities Exchange (ASX) and a significant presence in the US, as the majority of the Group's Executives and NEDs reside in the US.

Board Remuneration

Fees will be introduced for members of the Audit and Risk Management Committee and the Remuneration Committee. Historically, only the Chair of a Committee received any additional board remuneration. Additionally, the Board is evaluating the use of equity grants for NEDs in future years in order to attract and retain NEDs, given that the remuneration structure among US life sciences companies typically includes an equity component for board members. It is common for the remuneration structure to be significantly weighted towards equity.

2 \\ Key Management Personnel

For the purposes of this report, the 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 Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Group. This information has been audited as required by section 308(3c) of the Act.

Directors

Cherrell Hirst AO	Chairman
David Adams	Non-Executive Director (retired August 2016)
Judith Downes	Non-Executive Director (appointed April 2017)
Elizabeth Gaines	Non-Executive Director (resigned February 2017)
Gary Goetzke	Non-Executive Director
Michael Panaccio	Non-Executive Director (retired August 2016)
Amit Patel	Non-Executive Director (appointed March 2017)
Scott R. Ward	Non-Executive Director
Donald Williams	Non-Executive Director (appointed March 2017)
Richard Carreon	Managing Director and Chief Executive Officer

Executives (i)

Morten Vigeland	Chief Financial Officer
Jack Cosentino	Chief Strategy Officer (separated from employment January 2017)
David Adams	Senior Vice President Ventures, Licensing and Corporate Development (hired August 2016)
Ann Holder (ii)	Senior Vice President General Management & Operations
Catherine Kingsford	Senior Vice President Medical Affairs
Dennis Schlaht	Senior Vice President R&D and Technology

(i) Michael Schreiber left the Group in July 2016 and was not considered KMP at any point during the current financial year.
(ii) After the conclusion of the 2017 financial year, Ann Holder transitioned roles within the Group and will not be considered KMP in the 2018 financial year.

There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

Frank Vicini, MD, Chief Medical Officer, is not considered part of the KMP for financial statement purposes.

3 \\ Remuneration Governance

3.1. Role of the 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 each of the Non-Executive Directors (NED), Executive Directors (ED), the Managing Director and Chief Executive Officer (MD & CEO) and Executives reporting to the MD & 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 maximising shareholder benefit through the attraction and retention of high-quality, high-performing Executives. In determining the level and composition of Executive remuneration, the Remuneration Committee may also engage external consultants to provide independent advice.

As of the date of this report, the Remuneration Committee comprises the following Non-Executive Directors, all of whom are independent:

- Scott R. Ward (Chair since October 2015)
- Cherrell Hirst AO
- Gary Goetzke

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 and the at risk component based on his performance.
- Review the MD & CEO's recommendations of the amount and form of compensation to be paid to the Executives reporting to the MD & CEO and the at risk component based on their performance.
- Exercise oversight of the remuneration philosophy, plans and practices for all other employees.
- Exercise oversight and recommend to the Board of Directors any compensation pursuant to the Group's equity compensation plans.
- Recommend to the Board of Directors the amount of and form of compensation arrangements for NEDs and EDs.

3 \\ Remuneration Governance (Continued)

3.2. Services from Remuneration Consultants

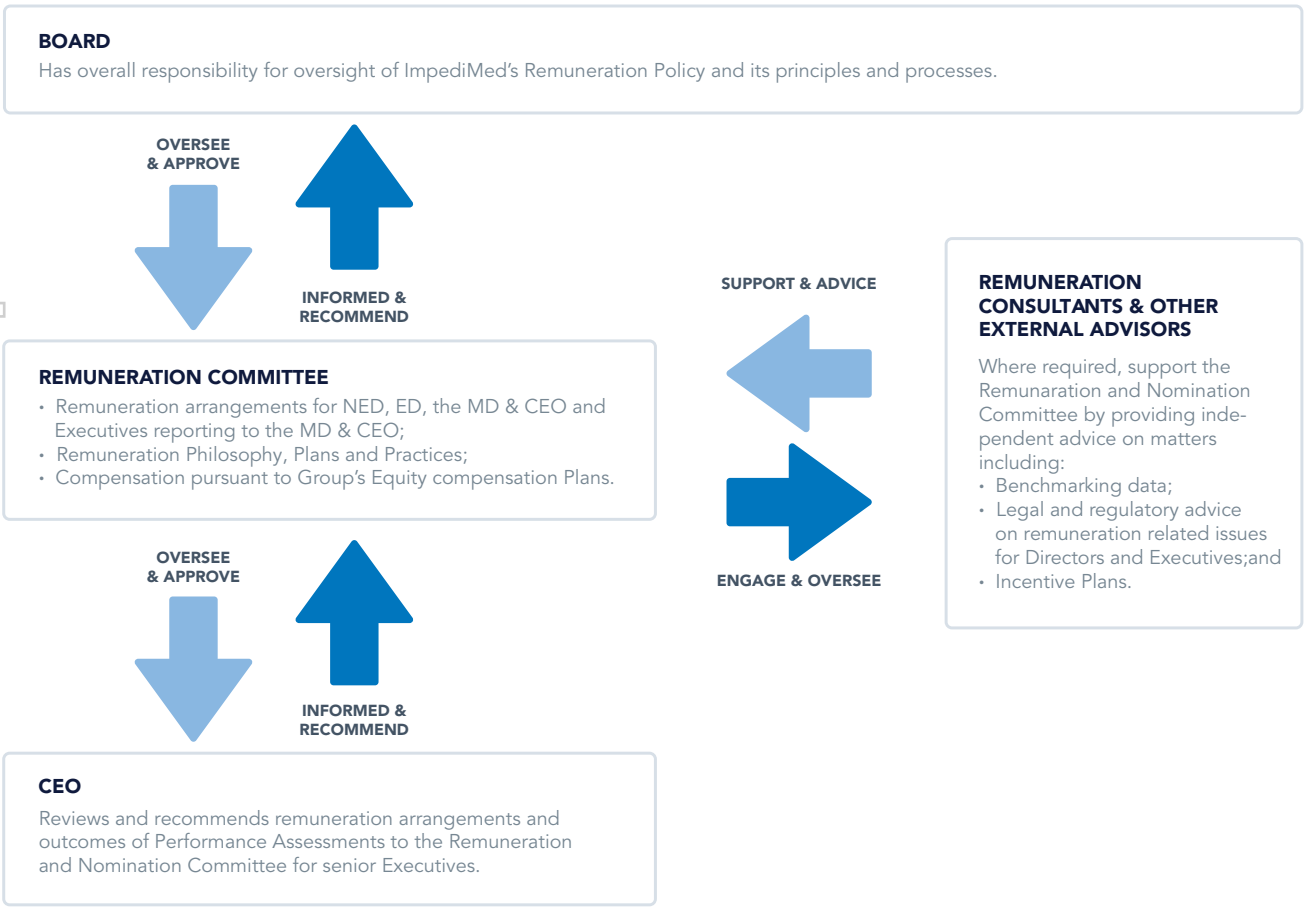
In December 2016, the Remuneration Committee engaged Willis Towers Watson to provide remuneration consultation. The Willis Towers Watson consulting team to ImpediMed is made up of consultants based in the same geographies where large concentrations of ImpediMed employees reside including Australia (in Melbourne) and the US (in Minneapolis, Minnesota and Southern California). Willis Towers Watson was engaged to:

- Review the Group's remuneration philosophy
- Recommend a Comparator Group for pay benchmarking
- Review incentive plan designs to ensure the plans are practical for a US company and sensible to Australian governance standards
- Analyse share utilisation and equity usage
- Assist the Group with the preparation and review of the 2017 Remuneration Report

The engagement of Willis Towers Watson was undertaken directly by the Board, independent of Management, and is based on an agreed set of protocols governing the engagement developed by Willis Towers Watson and provided to the Board. The work undertaken by Willis Towers Watson in the 2017 financial year did not constitute a remuneration recommendation for the purposes of the Corporations Act 2001.

The Remuneration Committee was previously engaged with KPMG, based out of Melbourne, Australia. The Group continued to work with KPMG through December 2016.

The work undertaken by KPMG in the 2017 financial year did not constitute a remuneration recommendation for the purposes of the Corporations Act 2001.



4 \\ Consequences of Performance on Shareholder Value

ImpediMed Limited has operated as a listed public company since October 2007 and was added to the S&P/ASX300 in March 2015. The Group is building revenue in its core medical business and has yet to achieve profitability. While the Remuneration Committee has regard to the items shown in the following table in respect of the current and prior financial years, KMP remuneration is not directly linked to these items but rather to building the elements necessary to create shareholder wealth through acceptance and use of the Group's products.

AMOUNT $	2017	2016	2015	2014	2013
Net loss attributable to equity holders of the parent entity (000's)	($27,571)	($25,980)	($14,797)	($7,935)	($8,464)
Dividends paid	nil	nil	nil	nil	nil
Share price at 30 June	$0.75	$0.95	$0.87	$0.19	$0.09
Change in share price	(21)%	9%	358%	111%	-65%
Market Cap (million's)	$281.64	$352.50	$253.70	$45.40	$16.30

5 \\ Executive Remuneration Philosophy and Strategy

The Remuneration Committee reviews the remuneration philosophy and strategy and makes recommendations to the Board regarding the remuneration arrangements for Executive KMP. ImpediMed's remuneration philosophy and strategy are designed to attract, motivate and retain Executives of the required calibre by identifying and rewarding high performers and recognising the contribution of each Executive to the continued growth and success of the Group.

The remuneration philosophy at ImpediMed targets fixed remuneration at the median of its US Comparator Group of ImpediMed's peers and variable compensation above the median for exceptional performance. In order to determine executive compensation, the Remuneration Committee uses benchmarking data from a Comparator Group of ImpediMed's peers and reviews the pay plans and practices of other relevant companies. When considering companies for inclusion in ImpediMed's Comparator Group, the Remuneration Committee considers companies that are similar in size (i.e. revenue, market capitalisation and employee numbers), scope and complexity; operate in similar or related businesses to the Group (i.e. Med Tech); and that may compete with ImpediMed for key talent (e.g., companies based in the US, including Southern California and the West Coast). The Comparator Group is reviewed on a regular basis to ensure its composition remains appropriate for ImpediMed.

Other factors the Remuneration Committee may consider when setting remuneration include internal equity, individual performance, tenure, leadership skills and ability to impact company performance. In addition, while recruiting and retaining key Executive talent, the compensation decisions may be determined based on negotiations with such individuals and can reflect such factors as the amount of compensation that the individual would forgo by joining or remaining with the Group.

To this end, key objectives of the Group's reward framework are to:

- Align remuneration with the Group's business strategy and compensation philosophy;
- Offer an attractive mix of remuneration bench marked against the Comparator Group;
- Provide strong linkage between individual and Group performance and rewards;
- Offer remuneration based on internal equity with other employees and matching the role requirements with the skills, experience and responsibilities of individual Executives;
- Align the interests of Executives and shareholders and share the success of the Group with the Executives; and
- Support the corporate mission statement, values and policies through the approach to recruiting, organising and managing people.

6 \\ Remuneration of Non-Executive Directors (NEDs)

The Remuneration Committee considers the level of remuneration required to attract and retain Non-Executive Directors with the necessary skills and experience for the Group's board. This remuneration is reviewed annually with regard to market practice and NED duties and accountability. This remuneration was reviewed in 2017 relative to similarly-sized ASX-listed companies in the healthcare sector, as well as medical device companies in the US, given Board membership is currently 67% US and 33% Australian.

NED fees are determined within an aggregate Directors' fee pool, approved by shareholders at the annual general meeting (AGM). The maximum aggregate remuneration approved in 2015 was $800,000.

The sum of NED fees paid in 2017 was $457,419 (2016: $478,866). The fee for the Chairman of the Board is $140,000 per annum. The base fee for other non-Executive Directors is $60,000 per annum. The chair of the Remuneration and Audit & Risk Management Committees receive an additional fee of $15,000 per annum. This fee structure has not changed since October 2012. For the 2018 financial year, fees will be introduced for members of the Audit and Risk Management Committee and the Remuneration Committee.

The Remuneration Committee will continue to monitor the competitive position, and will take account of learnings, experience, and feedback from recent NED recruitment efforts. Consideration is being given to providing a portion of NED remuneration in shares, with the aim of ensuring that NED remuneration is attractive in both Australia and the US.

Table 10.1 shows individual Director fees paid during the year ended 30 June 2017.

Shareholdings of Directors

During 2016, a minimum shareholding for NEDs of one year's post-tax Board fees was introduced. Prior to the introduction of that policy, NEDs voluntarily acquired shares on-market. ImpediMed NEDs have never been issued shares or options in the Group as part of any equity plan.

Table 10.4 shows the movement in ordinary shareholdings of Directors during the year ended 30 June 2017. All NEDs, except for Gary Goetzke (appointed August 2016), Donald Williams (appointed March 2017) and Amit Patel (appointed March 2017), meet the shareholding requirement.

7 \\ Remuneration of Executives

The majority of the Group's Executive KMP are based in the US and are remunerated according to the laws and norms of that country, which differ in many important respects from Australian practice.

As described in Section 5, the framework for Executive remuneration at ImpediMed is based upon a remuneration philosophy and strategy established by the Remuneration Committee and approved by the Board of Directors. The Remuneration Committee references benchmarking data from a Comparator Group of ImpediMed's peers, as detailed in Section 11, and reviews the pay plans and practices of other relevant companies

In the financial year ended 30 June 2017, the remuneration structure for KMP and some employees consisted of the following elements:

COMPONENT	PERFORMANCE MEASURE	STRATEGIC OBJECTIVES AND LINK TO PERFORMANCE
Fixed Remuneration: Base salary, superannuation, employee health benefits and any salary sacrificed benefits.	The fixed remuneration is not performance related. It is set having regard for: • Experience and qualifications of the individual • Responsibilities and criticality of role • Remuneration paid to similar roles by US Comparator Companies	• Offer an attractive mix of remuneration benchmarked against the applicable market's region and country practices.
Short Term Incentive (STI): Cash based incentive awarded for the achievement of ImpediMed's Operating Plan objectives measured over a one-year performance period.	Financial KPIs (55%): • Total Revenue • EBITDA Non-financial KPIs (45%): • Corporate goals, including: - Clinical trial enrolment - The key new product development milestone - Progress against US Commercial LE roll out plan - CHF Feasibility Study milestones	• Align remuneration with the Group's business strategy • Align the interests of Executives and shareholders and share the success of the Group with the employees • Provide strong linkage between individual and Group performance and rewards • To attract and retain the key talent needed to deliver on our corporate objectives and strategic plan
Long Term Incentive (LTI): Equity based incentive, comprising a mix of Options and Performance Rights for Group performance over the long-term.	• Time-based (70%): Options vest subject to the participant remaining in employment with ImpediMed over a four (4) year period. • Performance-based (30%): Performance Rights vest subject to achieving three (3) equally weighted hurdles over a three (3) year period: - Multi-centre CHF Pivotal Study milestone - Regulatory clearance / approval for fluid management of CHF patients - Complete the Vanderbilt Lymphedema Study and publish manuscript milestone	

7 \\ Remuneration of Executives (Continued)

7.1. Fixed Remuneration

Fixed remuneration consists of base salary, superannuation and other entitlement benefits that vary by state or country. Fixed remuneration is not "at risk" as it does not vary with the performance of the Group.

Fixed remuneration is not automatically increased but is reviewed annually, to ensure it remains competitive.

As described in Section 5, fixed remuneration for Executives is determined based upon benchmarking data from a Comparator Group of ImpediMed's peers. In addition to reviewing benchmarking survey data, when setting fixed remuneration for any given role, the Remuneration Committee has regard to the experience, qualifications and skill set of the individual, as well as the responsibilities and criticality of the role.

7.2. Short-Term Incentive

The STI plan is a cash based incentive which is awarded based on annual performance. In the financial year ended 30 June 2017, the STI Plan focused on both Group and individual performance. The remuneration philosophy at ImpediMed targets variable compensation above the median for exceptional performance and the STI aims to encourage performance over and above what is expected as part of the ordinary course of business. The key features of the STI plan for the financial year ended 30 June 2017 are outlined below.

Participants	KMP and other selected employees
Award Type	Cash
Opportunity	The value of the target STI opportunity for FY17 has been expressed as a percentage of base salary in the table below.

KMP	Target STI
MD & CEO	60%
CFO	40%
SVP Ventures, Licensing and Corporate Development	40%
SVP General Manager & Operations	40%
SVP Medical Affairs	40%
SVP R&D and Technology	40%

Actual STI payments awarded depend on the extent to which specific key performance indicator (KPI) targets are achieved, as follows:

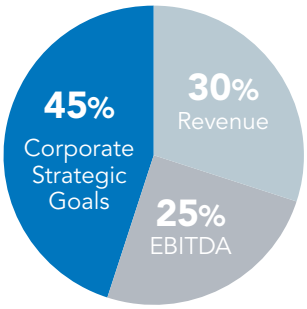
- Threshold performance - 50% of target opportunity
- At target performance - 100% of target opportunity
- Maximum performance - 150% of target opportunity for Executives; 200% of target opportunity for MD & CEO

Threshold performance is the minimum level of performance required to earn any STI.

Targets are set with a level of 'stretch' built in, and therefore, maximum STI is only achieved in respect of exceptional performance.

Performance Period	The performance period is 12 months.

7 \\ Remuneration of Executives (Continued)

Performance Conditions	For the financial year ended 30 June 2017, the KPIs for KMP included Additional detail is provided at section 7.2.1	

7.2.1. STI Performance Conditions and Outcomes

The table below provides an overview of ImpediMed's performance against the financial and non-financial KPIs applicable to Executive KMP.

For the year ended 30 June 2017, all Executive KMP had common KPIs.

KPI	LINK TO IMPROVED COMPANY PERFORMANCE	WEIGHTING	KEY ACHIEVEMENTS & KPI OUTCOMES
Revenue	Revenue growth is key to company performance and will lead to shareholder return.	30%	Oncology Revenue increased 22% to $3.9M (2016: $3.2M). Total Medical Revenue increased 17% to $4.8M (2016: $4.1M). The revenue components were measured on a functional basis for the STI. **KPI Assessment:** Minimum performance level achieved.
EBITDA	Given ImpediMed's current stage of development, investments are needed for future growth, resulting in negative EBITDA in the near-term. However, meeting Corporate Strategic Goals, while controlling EBITDA based upon a set Operating Plan, is essential for short to medium-term success of the Group.	25%	The Group EBITDA was $27.3M. The Group made significant progress on key objectives within Operating Plan EBITDA. The EBITDA component was measured on a functional basis for the STI. **KPI Assessment:** Maximum performance exceeded.
Corporate Strategic Goals: • Clinical trial enrolment • The key new product development milestone • Progress against US Commercial LE roll out plan • Feasibility Study Enrolment	These performance conditions were selected because their achievement in the defined time frame is critical to (a) increased adoption of L-Dex® and private payer reimbursement in the US and (b) expansion in CHF and other indications. which will contribute to future revenue growth and shareholder value.	45%	Enrolment of 974 patients in Lymphoedema Clinical Trial; commercialisation of next generation device commenced; achieved maximum performance with continued expansion of top tier customers in commercialisation of L-Dex® in US; initiated CHF Feasibility Study. **KPI Assessment:** Between threshold and maximum performance achieved for the various objectives as specifically detailed above.

7 \\ Remuneration of Executives (Continued)

7.2.2. STI Outcomes

US-based Executives are paid in USD, listed below are their USD payouts.

KMP	TARGET STI OPPORTUNITY USD	STI OUTCOME USD	TARGET STI OPPORTUNITY AUD (i)	STI OUTCOME AUD	% ACHIEVED
Richard Carreon MD & CEO	$283,752	$314,113	$376,479	$416,762	110.7%
Morten Vigeland CFO	$131,567	$119,989	$174,562	$159,200	91.2%
Dave Adams (ii) SVP Ventures, Licensing and Corp Dev	$86,864	$79,220	$115,250	$105,108	91.2%
Ann Holder SVP General Manager & Operations	$117,600	$107,251	$156,030	$142,300	91.2%
Catherine Kingsford SVP Medical Affairs	N/A	N/A	$128,000	$116,736	91.2%
Dennis Schlaht (iii) SVP, R&D and Technology	$111,817	$111,817	$148,357	$148,357	100.0%

(i) US-based Executives are paid in USD, the Target STI opportunity is calculated based on the average exchange rate for the year.
(ii) D Adams was hired on 8 August 2016 and was part-time until 1 January 2017. D Adams received a prorated portion of the total annual STI opportunity based upon the portion of the year worked and based on the split betwwen part-time and full-time.
(iii) D Schlaht's STI was adjusted to 100% at the discretion of the Board for exceptional contributions to key new product development during the period.

7.3. Long-Term Incentive (LTI)

The Board offers LTIs to reward the performance of Executives in alignment with shareholders' interests and the long-term benefit of the Group.

The key features of the LTI plan are outlined below.

Participants	Executives, and other selected employees and consultants, at the discretion of the Board.
Award Type	In order to balance the objectives of Australian and US remuneration practices, the Options granted during the period continue to vest on a time-based schedule (as is common US) but a mix of performance-based rights were granted to align with Australian practices. LTI awards made after 30 October 2014 were issued under the Employee Incentive Plan (EIP) in the form of Options and Performance Rights with a mix of 70% Options and 30% Performance Rights. Each Option entitles the holder to one fully paid ordinary share of ImpediMed Limited at an exercise price based on the five (5) day Volume Weighted Average Price (VWAP) at close of business when granted. Each Performance Right is subject to achieving LTI performance conditions. In fiscal year 2018, a greater portion of LTI grants will be performance based with a mix of 60% Options and 40% Performance Rights.

7 \\ Remuneration of Executives (Continued)

7.3. Long-Term Incentive (LTI) (Continued)

Opportunity

The value of the LTI awards has been expressed as a percentage of Total Fixed Remuneration (TFR) in the table below.

KMP	LTI Opportunity
MD & CEO	231%
CFO	104%
SVP Ventures, Licensing and Corporate Development (i)	177%
SVP General Manager & Operations	107%
SVP Medical Affairs	111%
SVP R&D and Technology	101%

(i) SVP Ventures, Licensing and Corporate Development was hired during the year and his LTI opportunity reflects the initial LTI grant at time of hire.

Performance Conditions are weighted equally at one third each with:
- Minimum Threshold – 50% of "Plan"
- Plan – 100% of "Plan"
- Maximum – 150% of "Plan" / MD & CEO 200% of "Plan"

Performance Period

For LTI awarded in the year ended 30 June 2017:
- Options vest annually in equal portions over a four (4) year period; and
- Performance Rights vest based on performance over three (3) years.

Performance Conditions

For LTI awarded in the year ended 30 June 2017, the Board introduced performance conditions to increase the focus on supporting the Group's long-term business strategy and shareholder value. The performance conditions include a minimum of three strategic measures and require the achievement of key milestone objectives.

Each Performance Right awarded in FY17, except for the initial new hire grant to the SVP Ventures, Licensing and Corporate Development, is subject to achieving LTI Performance Conditions related to the following objectives:

- Multi-centre CHF Pivotal Study milestone
- Regulatory clearance / approval for fluid management of CHF patients
- Complete the Vanderbilt Lymphedema Study and publish manuscript milestone

These performance conditions were selected because their achievement in the defined time frame is critical to the Group's success; providing scientific data and independent review, allowing commercialisation of next generation devices for multiple use improving the way patients are monitored and managed, driving long-term value creation.

Due to the commercially sensitive nature of the specific performance metrics within these KPI's, ImpediMed will provide further details in the annual report following the end of the performance period.

7 \\ Remuneration of Executives (Continued)

7.3. Long-Term Incentive (LTI) (Continued)

Treatment of Dividends on Unvested Awards	The LTI instruments do not carry dividend or voting rights prior to vesting.
Leaver Provisions	Where a participant ceases employment prior to vesting, the award is forfeited unless the Board applies its discretion to allow vesting at, or post, cessation of employment.
Clawback Provisions	The Board introduced a clawback policy in FY16 which provides the Board discretion to clawback variable pay of LTI participants in the event of serious misconduct or fraud by the employee or other specific events.
Change of Control	In a situation where there is likely to be a change of control of the Group, the Board may have the discretion to determine whether some, none or all of the LTI instruments will vest.

The Remuneration Committee aims to prudently manage dilution and the accounting cost of Executive equity plans, while leveraging long-term incentives to maintain shareholder alignment and execution of the business strategy. Periodically the remuneration committee reviews capacity levels of LTI plans. The last time the capacity was increased was in October 2014. Due to the limited number of remaining shares available for grant, ImpediMed will likely need to seek additional equity capacity by renewing shares or establishing an evergreen fund.

7.4. Minimum Shareholding Requirement

The Board introduced a minimum shareholding requirement in FY16 to ensure that Executives and NEDs build and maintain substantial shareholdings in the Group to align their long-term interests with those of shareholders.

Executives are prohibited from disposing of ImpediMed shares acquired from equity-based share schemes (other than to fund the associated tax liability arising on vesting of the equity), unless immediately after that disposal they continue to hold ImpediMed shares with a value equal to or greater than the minimum shareholding requirement. The minimum shareholding requirement for Executives is equal to the value of their annual base salary.

The minimum shareholding requirement for NED's is equal to the value of one year's base fee (excluding committee fees) after tax. ImpediMed NED's are required to purchase ImpediMed shares, in accordance with the Group's Share Trading Policy, to meet the minimum shareholding requirement within five years of appointment to the ImpediMed Board.

All NEDs, except for Gary Goetzke (appointed August 2016), Donald Williams (appointed March 2017) and Amit Patel (appointed March 2017) meet those requirements.

8 \\ Executive Contractual Arrangements

Remuneration arrangements for the KMP are formalised in employment contracts. Contracts are generally "at will" and outline the remuneration and other key provisions. At-will employment is a term used in US labour law for contractual relationships where an employee can be dismissed by an employer without cause and warning. Certain KMP have negotiated termination provisions as follows:

	NOTICE PERIOD	PAYMENT IN LIEU OF NOTICE (i)	TREATMENT OF STI AND LTI ON TERMINATION (ii)
Managing Director			
R Carreon	12 Months	12 Months (iii)	Unvested awards forfeited
Executives			
M Vigeland	9 months	9 months	Unvested awards forfeited
D Adams	9 months	9 months	Unvested awards forfeited
A Holder	9 months	9 months	Unvested awards forfeited
C Kingsford	6 months	6 months	Unvested awards forfeited
D Schlaht	6 months	6 months	Unvested awards forfeited

(i) Payments are made in lieu of notice only if employment comes to an end for reasons other than resignation or termination with cause.
(ii) Employment through the end of the financial year is required for the award of STI incentives, unless changed at the discretion of the Board.
(iii) Payment includes health and dental insurance coverage paid on his behalf during the notice period.

9 \\ Managing Director & CEO Remuneration

Mr Carreon's fixed remuneration at 30 June 2017 was USD $472,920 (2016: USD $450,400) plus non-monetary health benefits. For the 2017 financial year, the Board approved the Remuneration Committee's recommendation to increase Mr Carreon's fixed remuneration based on his performance and the external benchmarking undertaken during the year.

Mr Carreon's STI performance conditions and outcomes have been detailed at section 7.2.1 and 7.2.2. During the 2017 financial year, the Board issued 872,000 Options (2016: 512,500) to Mr Carreon at an exercise price of $1.46 per option under the EIP. During the 2017 financial year, the Board issued 470,000 Performance Rights (2016: nil) to Mr Carreon under the EIP.

The Options and Performance Rights were approved by shareholders at the 2016 AGM and subsequently granted on 14 November 2016.

The Options consisted of non-statutory stock options (NSO). Subject in all cases to continuous employment with the Group, the Options will vest over a four-year period with one-quarter of the number of total options granted vesting annually, on each one-year anniversary of the date of grant. Additionally, if in the opinion of the Board a Change of Control has occurred or is likely to occur, the Board may declare an Option to be free of any Vesting Conditions as detailed in Rule 5.3(b) of the Plan.

All options which have not vested shall automatically lapse and be forfeited without consideration upon cessation of Mr Carreon's employment with the Group unless otherwise determined by the Board.

The Performance Rights were issued for nil consideration when the closing price of a share on ASX on the date of grant was $1.50. Subject in all cases to continuous employment with the Group, the Performance Rights will vest on the third anniversary of the date of grant to the extent that

9 \\ Managing Director & CEO Remuneration (Continued)

relevant performance conditions are satisfied. The extent to which a performance condition is satisfied will be determined by the Remuneration Committee, whose decision is final and binding on the Participant. The Remuneration Committee may determine that a performance condition has been satisfied at or between "minimum" and "maximum", in which case the percentage of performance rights that vest will be determined by the Remuneration Committee. If any performance rights do not vest (as determined by the Remuneration Committee), those performance rights will lapse.

All Performance Rights which have not vested shall automatically lapse and be forfeited without consideration upon cessation of Mr Carreon's employment with the Group unless otherwise determined by the Board.

The Board may declare that some, none or all outstanding unvested Performance Rights are free of Performance Conditions and may vest on an accelerated basis immediately before a Change of Control Event. [Without limiting the Board's discretion, the Board may have regard to the degree to which the relevant Performance Conditions have been achieved prior to the Change of Control Event.]

If the Participant ceases employment with the Company or any Group entity where such cessation of employment is due to the Participant's death, permanent illness or permanent physical or permanent mental incapacity (as certified by a medical practitioner who is approved in writing by the Board), the Board may, in its discretion, determine that the Performance Rights will vest [on the third anniversary of the Date of Grant] on the same basis as if the Participant was still employed by the Company or another Group entity.

Modification of MD & CEO Option Terms

At the Group's 2016 Annual General Meeting (AGM), held on 14 November 2016, a resolution was passed to modify certain options of the MD & CEO. For the purpose of ASX Listing Rule 6.23.4 and for all other purposes, approval was given to amend the terms of 7,252,561 options, originally granted to Mr Carreon on 9 July 2012, to subscribe for Shares issued to Mr Carreon to:

(1) remove the requirement that 75% of the options cannot be exercised unless the price of Shares is above $0.50 per Share on the ASX at the time of exercise;
(2) remove the requirement that 25% of the Options cannot be exercised unless the price of Shares is above $0.70 per Share on the ASX at the time of exercise; and
(3) permit Mr Carreon's executor, administrator or trustee of his estate to exercise the options within the 90-day period following Mr Carreon's cessation of employment where Mr Carreon is no longer an employee of the Group due to death or permanent disability, as more particularly described in the Explanatory Notes accompanying and forming part of this Notice of Meeting.

The amendment removed the market based exercise conditions of the options. Under AASB 2, this change is viewed as a modification which must be accounted for. Specifically, AASB 2 requires both the option using the original terms and the option with the modified terms to be fair valued at the modification date. The difference between the valuations is recorded in the profit and loss to the extent the fair value of the modified options is greater. Based on the work performed in the current financial year, no additional expense was recorded for the modification of the CEO's options, given the fair value of the modified option was not deemed to be greater than the existing option.

The instruments have an expiry date of 8 July 2022 and had a fair value of $0.18 per option. The original instruments were valued under a Monte-Carlo Simulation due to the market-based conditions present at the time of grant.

The original instruments are considered the 7,252,561 options with market-based conditions and an exercise price of $0.35, valued at the underlying stock price of $1.53 on 14 November 2016. The new instruments are considered the 7,252,561 options, free of market-based conditions, with an exercise price of $0.35, and valued at the underlying stock price of $1.53 on 14 November 2016.

The modification yielded similar fair values between the two instruments and therefore no incremental expense was booked in relation to the modification during the current financial year.

10 \\ Statutory Tables

10.1. Remuneration of KMP for the years ended 30 June 2017 and 30 June 2016

30 JUNE 17 (i)			SHORT-TERM	POST-EMPLOY-MENT	SHARE BASED	TERMI-NATION PAY-MENTS	TOTAL	PERFOR-MANCE RELATED	
	Salaries & Fees $	STI Awards $	Non-Monetary(ii) $	Super-Annuation $	LTI Awards $	Sever-ance $	$	STI %	LTI %
Directors									
C Hirst	140,000	-	-	13,300	-		153,300	-	-
D Adams (iv) (v)	8,151	-	-	-	-		8,151	-	-
J Downes (vi)	17,188	-	-	1,633	-		18,821		
E Gaines (vii)	44,688	-	-	4,245	-		48,933	-	-
G Goetzke (iv)	71,641	-	-	-	-		71,641	-	-
M Panaccio (viii)	6,304	-	-	-	-		6,304	-	-
A Patel (iv) (ix)	25,299	-	-	-	-		25,299	-	-
S Ward (iv)	99,671	-	-	-	-		99,671	-	-
D Williams (iv) (x)	25,299	-	-	-	-		25,299	-	-
R Carreon (iv)	627,465	416,762	20,363	20,405	871,158		1,956,153	21	45
Executives									
M Vigeland (iv)	436,405	159,200	16,586	14,547	341,085		967,823	16	35
J Cosentino (iv) (xi)	215,315	-	16,423	2,816	-	317,134	551,688	-	-
D Adams (iv) (v)	288,124	105,108	23,276	10,922	153,856		581,286	18	26
A Holder (iv)	390,076	142,300	25,547	14,953	301,873		874,749	16	35
C Kingsford (iv) (xii)	329,082	116,736	3,943	27,830	285,675		763,266	15	37
D Schlaht (iv)	370,893	148,357	27,845	9,818	238,328		795,241	19	30
	3,095,601	**1,088,463**	**133,983**	**120,469**	**2,191,975**	**317,134**	**6,947,625**		

10 \\ Statutory Tables (Continued)

10.1. Remuneration of KMP for the years ended 30 June 2017 and 30 June 2016 (Continued)

30 JUNE 16 (i)			SHORT-TERM	POST-EMPLOY-MENT	SHARE BASED	TERMI-NATION PAY-MENTS	TOTAL	PERFOR-MANCE RELATED	
	Salaries & Fees $	STI Awards $	Non-Monetary(ii) $	Super-Annuation $	LTI Awards $	Sever-ance $	$	STI %	LTI %
Directors									
C Hirst	140,000	-	-	13,300	-	-	153,300	-	-
D Adams (iv)	82,380	-	-	-	-	-	82,380	-	-
E Gaines (vii)	25,000	-	-	2,375	-	-	27,375	-	-
J Hazel (xiii)	50,000	-	-	4,750	-	-	54,750	-	-
M Panaccio (viii)	64,881	-	-	-	-	-	64,881	-	-
S Ward (iv)	96,261	-	-	-	-	-	96,261	-	-
R Carreon (iv)	618,469	388,763	19,800	17,137	715,665	-	1,759,834	22	41
Executives									
M Vigeland (iv)	422,108	176,888	20,731	16,884	275,937	-	912,548	19	30
J Cosentino (iv) (xiv)	248,312	381,450	16,808	1,922	148,971	-	797,463	48	19
A Holder (iv) (xiv)	384,483	217,421	21,531	8,490	199,379	-	831,304	26	24
C Kingsford (iv)	372,674	156,173	19,971	14,907	233,855	-	797,580	20	29
D Schlaht (iv)	372,674	156,173	28,250	10,560	174,176	-	741,833	21	23
M Schreiber (xv)	352,901	122,554	26,922	3,529	150,700	264,676	921,282	13	16
	3,230,143	1,599,422	154,013	93,854	1,898,683	264,676	7,240,791		

(i) The figures represent the amounts expensed in the relevant reporting period.
(ii) Non-monetary benefits for US based employees include the payment of certain health and disability related insurance premiums as is customary in the US market.
(iii) The fair value of the equity-settled share options granted under the EIP plan are estimated as at the date of grant using the Black Scholes option valuation model, while share options granted under the ESOP schemes are estimated as at the date of grant using either the Black Scholes option valuation model or the Monte Carlo Simulation (if there is a restriction on the share price for exercise ability of the option). The fair value of equity-settled performance rights granted under the EIP plan are calculated at the date of grant using the five (5) day weighted average share price from the close of business on the date of grant.
(iv) Certain Directors and Executives are based in the US and are paid in USD. The total compensation is therefore translated for financial reporting purposes to AUD on a monthly basis. The translation of compensation from USD to AUD causes a translation effect in increasing the applicable expense related compensation in each reporting period. The average AUD to USD exchange rate for the current period was $0.75, while the average exchange rate for the prior reporting period was $0.73. Share-based compensation includes the expense during the financial year of all awards regardless of the financial year awarded.
(v) D Adams retired from the Board and was appointed to an Executive role in August 2016.
(vi) J Downes was appointed to the Board in April 2017.
(vii) E Gaines resigned from the Board in February 2017.
(viii) M Panaccio retired from the Board in August 2016.
(ix) A Patel was appointed to the Board in March 2017.
(x) D Williams was appointed to the Board in March 2017.
(xi) J Cosentino left the Group in January 2017 and the Group paid him approximately AUD $317,000. In addition, all of the unvested LTI expense for share-based payment grants were reversed during the current period, resulting in a negative LTI expense of $69,000.
(xii) C Kingsford transferred from a US-based office to the Brisbane office during the year, therefore part of her salary is based in USD and translated to AUD for financial reporting purposes.
(xiii) J Hazel retired in March 2016.
(xiv) STI component contained a sign-on bonus as part of the new hire package.
(xv) M Schreiber left the Group on 1 July 2016. All amounts related to his departure were accrued in the previous financial year.

Refer to the Directors' Report, details of key management personnel, for dates of new appointments and resignations.

10 \\ Statutory Tables (Continued)

10.2. Remuneration Awards: Granted, Vested, and Lapsed during the Year

(A) OPTIONS

GRANTED		TERMS AND CONDITIONS FOR EACH GRANT				VESTED	FAIR VALUE
30 June 2017	No.	Grant Date	Value per Option at grant date ($)	Exercise price per Option ($)	Expiry date for Option vested during year	Number of Options (#)	Of Options Granted During Year ($)
Managing Director							
R Carreon (i)		09 Jul 12	0.1766	0.3500	09 Jul 22	151,096	-
R Carreon		04 Dec 14	0.3781	0.6900	04 Dec 21	512,000	-
R Carreon		13 Nov 15	0.5906	1.0000	01 Jul 22	128,125	-
R Carreon (ii)	872,000	14 Nov 16	0.9458	1.4600	14-Nov-23	-	824,840
Executives							
M Vigeland		04 Dec 14	0.3781	0.6900	04 Dec 21	247,000	-
M Vigeland		01 Jul 15	0.5240	0.8700	01Jul 22	59,375	-
M Vigeland	303,000	25 Oct 16	1.0269	1.6600	25 Oct 23	-	311,154
J Cosentino		08 Dec 15	0.6217	1.0300	08 Dec 22	135,417	-
J Cosentino	276,000	25 Oct 16	1.0269	1.6600	25 Oct 23	-	283,428
D Adams	335,000	14 Nov 16	0.9459	1.4600	14 Nov 23	-	316,849
A Holder		01 Jul 15	0.5251	0.8700	01 Jul 22	167,708	-
A Holder		08 Dec 15	0.6217	1.0300	08 Dec 22	56,250	-
A Holder	271,000	25 Oct 16	1.0269	1.6600	25 Oct 23	-	278,293
C Kingsford		04 Dec 14	0.3781	0.6900	04 Dec 21	208,750	-
C Kingsford		01 Jul 15	0.5240	0.8700	01 Jul 22	46,874	-
C Kingsford	260,000	25 Oct 16	1.0269	1.6600	25 Oct 23	-	266,997
D Schlaht		04 Dec 14	0.3781	0.6900	04 Dec 21	163,750	-
D Schlaht		01 Jul 15	0.5240	0.8700	01 Jul 22	34,375	-
D Schlaht	258,000	25 Oct 16	1.0269	1.6600	25 Oct 23	-	264,943
	2,575,000					**1,910,720**	**2,546,504**

B) PERFORMANCE RIGHTS

GRANTED		TERMS AND CONDITIONS FOR EACH GRANT				VESTED	LAPSED
30 June 2017	No.	Grant Date	Value per Perf Right at grant date ($)	Exercise price per Perf Right ($)	Expiry date for Perf Right vested during year	Number of Perf Rights (#)	Of Perf Rights Granted During Year ($)
Executives							
R Carreon	470,000	14 Nov 16	1.4600	-	14 Nov 19	-	-
M Vigeland	123,000	25 Oct 16	1.6600	-	25 Oct 19	-	-
J Cosentino	111,000	25 Oct 16	1.6600	-	25 Oct 19	-	111,000
D Adams	165,000	14 Nov 16	1.4600	-	14 Nov 19	-	-
A Holder	109,500	25 Oct 16	1.6600	-	25 Oct 19	-	-
C Kingsford	105,000	25 Oct 16	1.6600	-	25 Oct 19	-	-
D Schlaht	103,500	25 Oct 16	1.6600	-	25 Oct 19	-	-
	1,187,000					**-**	**111,000**

(i) Certain options granted to the MD & CEO in FY13 have a ten-year exercise period.
(ii) All options granted during this financial year have a seven-year expiry date from the date of issue.

10 \\ Statutory Tables (Continued)

10.3. Remuneration Awards: Awards held by Key Management Personnel

(A) OPTIONS

30 JUNE 2017	HELD AT THE START OF PERIOD	GRANTED DURING PERIOD	EXERCISED DURING PERIOD	OPTIONS FROM OTHER CHANGES (i)	HELD AT THE END OF PERIOD	OPTIONS VESTED AND EXERCISABLE
	No.	No.	No.	No.	No.	No.
Directors						
R Carreon	12,148,827	872,000	-	-	13,020,827	10,060,514
Executives						
M Vigeland	2,774,750	303,000	(291,667)	-	2,786,083	1,983,937
J Cosentino	500,000	276,000	-	(776,000)	-	-
D Adams	-	335,000	-	-	335,000	-
A Holder	500,000	271,000	-	-	771,000	223,958
C Kingsford	2,253,000	260,000	(107,916)	-	2,405,084	1,730,396
D Schlaht	2,042,751	258,000	(87,667)	-	2,213,084	1,634,980
M Schreiber (ii)	939,168	-	(291,668)	(647,500)	-	-
	21,158,496	**2,575,000**	**(778,918)**	**(1,423,500)**	**21,531,078**	**15,633,785**

(i) Options from other changes include expired or lapsed options.
(ii) M Schreiber was not considered KMP during the 2017 financial year, but he is included in the schedule as he had LTI award movements during the year.

(B) PERFORMANCE RIGHTS

30 JUNE 2017	HELD AT THE START OF PERIOD	GRANTED DURING PERIOD	VESTED DURING PERIOD	PERF RIGHTS FROM OTHER CHANGES (i)	HELD AT THE END OF PERIOD
	No.	No.	No.	No.	No.
Managing Directors					
R Carreon	912,000	470,000	-	-	1,382,000
Executives					
M Vigeland	432,000	123,000	-	-	555,000
J Cosentino	250,000	111,000	-	(361,000)	-
D Adams	-	165,000	-	-	165,000
A Holder	250,000	109,500	-	-	359,500
C Kingsford	360,000	105,000	-	-	465,000
D Schlaht	240,000	103,500		-	343,500
M Schreiber (ii)	160,000	-		(160,000)	-
	2,604,000	**1,187,000**		**(521,000)**	**3,270,000**

(i) Performance Rights from other changes include expired or lapsed options.
(ii) M Schreiber was not considered KMP during the 2017 financial year, but he is included in the schedule as he had LTI award movements during the year.

10 \\ Statutory Tables (Continued)

10.4. Shareholdings of Key Management Personnel (Continued)

30 JUNE 2017	HELD AT THE START OF PERIOD	GRANTED AS REMUNERA-TION	ON EXERCISE OF OPTIONS/ PERF RIGHTS	NET CHANGE OTHER	HELD AT THE END OF PERIOD	HELD NOMINALLY
	No.	No.	No.	No.	No.	No.
Directors						
C Hirst	1,216,924	-	-	-	1,216,924	1,216,924
J Downes (i)	-	-	-	82,600	82,600	82,600
G Goetzke	-	-	-	-	-	-
M Panaccio (ii)	25,238,045	-	-	(25,238,045)	-	-
A Patel	-	-	-	-	-	-
S Ward	225,000	-	-	-	225,000	225,000
D Williams	-	-	-	-	-	-
R Carreon	452,858	-	-	-	452,858	452,858
Executives						
M Vigeland	246,024	-	291,667	(100,000)	437,691	437,691
J Cosentino	-	-	-	-	-	-
D Adams	159,000	-	-	-	159,000	159,000
A Holder	68,000	-	-	-	68,000	68,000
C Kingsford	200,257	-	107,916	-	308,173	308,173
D Schlaht	344,056	-	87,667	-	431,723	431,723
	28,150,164	-	**487,250**	**(25,255,445)**	**3,381,969**	**3,381,969**

(i) Shareholding movement during the period related to shares purchased through the open market and not through compensation
(ii) M Panaccio retired from the Board in August 2016 but remains a shareholder of the Group. Please see pages 134-136 of the Financial Statements for details on current shareholders of the Group.

(B) SHARE ISSUED ON EXERCISE OF REMUNERATION OPTIONS

1,941,565 shares were issued during the year ended 30 June 2017 (30 June 2016: 1,217,233) on the exercise of remuneration options, including the following exercises by KMP in place at the reporting date:

EXECUTIVES	2017 OPTIONS EXERCISED	EXERCISE PRICE WEIGHTED AVERAGE EXERCISE PRICE $	SHARE PRICE WEIGHTED AVERAGE ON EXERCISE DATE	TOTAL VALUE ON EXERCISE DATES $
M Vigeland	291,667	$0.1728	$1.1286	329,167
C Kingsford	107,916	$0.5208	$0.7781	83,972
D Schlaht	87,667	$0.5678	$0.9293	81,470
	487,250			**494,609**

10.5. Other Transactions and Balances with KMP and their Related Parties

For the year ended 30 June 2017, no transactions with Directors or KMP occurred that would be considered related party transactions.

11 \\ Executive Comparator Group List

The following companies were included in the 2017 financial year Executive Comparator Group:

Aradigm Corporation
AtriCure, Inc.
Cerus Corporation
Cesca Therapeutics, Inc.
Cutera, Inc.
Digirad Corporation
GenMark Diagnostics, Inc.
Hansen Medical, Inc.
Nanosphere, Inc.
NeoGenomics, Inc.
Oculus Innovative Sciences, Inc.
STAAR Surgical Company
Stereotaxis, Inc.
SurModics, Inc.
Synergetics USA, Inc.
Tandem Diabetes Care, Inc.
TearLab Corporation
Vasomedical, Inc.
Xtant Medical Holdings, Inc.

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 are detailed in the table below.

		MEETINGS OF COMMITTEES (i)		
EXECUTIVES	DIRECTORS' MEETINGS	AUDIT / RISK	REMUNERATION	NOMINATION
Number of Meetings Held:	8	3	6	2
Number of Meetings Attended:				
C Hirst AO	8	3	6	2
D Adams	1	-	-	-
J Downes	1	-	-	1
E Gaines	4	2	2	-
G Goetzke	7	2	1	2
M Panaccio	1	-	1	-
A Patel	2	-	-	1
S Ward	7	-	6	2
D Williams	2	-	-	1
R Carreon	8	-	-	-

(i) A Directors' attendance at a committee meeting is only included if the Director is a member of the committee.

Directors' Meetings (Continued)

Committee membership

	AUDIT & RISK MANAGEMENT COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE
C Hirst AO (i)	Member	Member	Chair
J Downes	Chair	-	Member
G Goetzke	-	Member	Member
A Patel	Member	-	Member
S Ward	-	Chair	Member
D Williams	Member	-	Member
R Carreon (ii)	-	-	-

(i) C Hirst AO is an ex-officio member of the Audit and Risk Management Committee
(ii) As an Executive Director, R Carreon will not sit on any Committees.

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 ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Group is an entity to which the Class Order applies.

Auditor's Independence Declaration and Non-Audit Services

The Directors received the declaration on page 63 from the auditor of the Company 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 AO
Chairman

Judith Downes
Director

Brisbane, 23 August 2017

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Auditor's Independence Declaration to the Directors of ImpediMed Limited

As lead auditor for the audit of ImpediMed Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of ImpediMed Limited and the entities it controlled during the financial year.

Ernst & Young

Kellie McKenzie
Partner
23 August 2017

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2017

	NOTES	2017 $000	2016 $000
Continuing Operations			
Sale of Goods	4	5,510	5,544
Rendering of Services		256	247
Finance Income	4	367	156
Revenue		6,133	5,947
Cost of Goods Sold		(1,489)	(1,583)
Gross Profit		**4,644**	4,364
Other income and Finance Costs	5	2,882	2,363
Salaries and Benefits	6	(17,367)	(15,022)
Research and Development	6	(5,336)	(4,041)
Administrative and Governance	6	(2,589)	(3,985)
Consultants and Professional Fees	6	(2,951)	(3,211)
Depreciation and Amortisation	6	(255)	(184)
Advertising and Promotion	6	(1,195)	(1,295)
Rent and Property Expenses		(499)	(318)
Travel Expenses		(1,726)	(1,619)
Share-based Payments	18	(2,585)	(2,517)
IT and Other Expenses		(554)	(515)
Loss from Continuing Operations before Income Tax		**(27,531)**	(25,980)
Income Tax	19	(40)	-
Loss from Continuing Operations after Income Tax		**(27,571)**	(25,980)
Net Loss for the Period		**(27,571)**	(25,980)
Other Comprehensive Income or Loss *Items that may be reclassified to profit or loss:*			
Foreign currency translations		(2,157)	2,422
Other Comprehensive Gain for the Period, Net of Tax		(2,157)	2,422
Total Comprehensive Loss for the Period		**(29,728)**	(23,558)
		$	$
Basic and Diluted Loss Per Share	1	(0.07)	(0.08)

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

Consolidated Balance Sheet

As at 30 June 2017

	NOTES	AS AT JUNE 2017 $000	AS AT JUNE 2016 $000
Assets			
Current Assets			
Cash and Cash Equivalents	7	54,884	82,254
Trade and Other Receivables	8	3,804	3,507
Inventories	9	1,465	1,378
Prepayments and Other Current Assets		1,102	510
Total Current Assets		61,255	87,649
Non Current Assets			
Other Financial Assets	10	158	48
Property and Equipment	11	518	396
Intangible Assets	12	54	41
Goodwill	12	2,358	2,436
Total Non-Current Assets		3,088	2,921
Total Assets		**64,343**	90,570
Liabilities			
Current Liabilities			
Trade and Other Payables	13	2,577	2,599
Provisions	14	2,892	2,602
Total Current Liabilities		**5,469**	5,201
Non-Current Liabilities			
Provisions	14	77	115
Total Non-Current Liabilities		77	115
Total Liabilities		**5,546**	5,316
Net Assets		**58,797**	85,254
Equity			
Issued Capital	15	219,493	218,807
Reserves	16	16,526	16,098
Accumulated Losses		(177,222)	(149,651)
Total Equity		**58,797**	85,254

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

Consolidated Cash Flow Statement

For the year ended 30 June 2017

	NOTES	AS AT JUNE 2017 $000	AS AT JUNE 2016 $000
Cash Flows from Operating Activities			
Receipts from Customers (inclusive of GST and US sales tax)		5,460	5,686
Payments to Suppliers and Employees (inclusive of GST and US sales tax)		(34,208)	(28,220)
Interest Received		374	112
Other Receipts		2,808	-
Net Cash Flows Used in Operating Activities	7	**(25,566)**	(22,422)
Cash Flows from Investing Activities			
Purchase of Property and Equipment		(335)	(109)
Purchase of Intangible		(27)	-
Net Cash Flows Used in Investing Activities		**(362)**	(109)
Cash Flows from Financing Activities			
Proceeds from Issue of Ordinary Shares		751	75,434
Transaction Costs from Capital Raising		(31)	(3,976)
Net Cash Flows Used in Financing Activities		**720**	71,458
Net Increase (decrease) in Cash and Cash Equivalents		(25,208)	(48,927)
Net Foreign Exchange Differences		(2,162)	745
Cash and Cash Equivalents at Beginning of Period		82,254	32,582
Cash and Cash Equivalents at the end of the Period	7	**54,884**	82,254

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Notes	ISSUED CAPITAL $000	RESERVES $000	ACCUMULATED LOSSES $000	Total $000
At 30 June 2015		147,349	11,159	(123,671)	34,837
Loss for the Period		–	–	(25,980)	(25,980)
Other Comprehensive Income		–	2,422	–	2,422
Total Comprehensive Loss for the Period		–	2,422	(25,980)	(23,558)
Equity Transactions:					
• Share-based Payments		–	2,517	–	2,517
• Allotment of Ordinary Shares		75,434	–	–	75,434
• Costs of Capital Raising		(3,976)	–	–	(3,976)
At 30 June 2016		218,807	16,098	(149,651)	85,254
Loss for the Period		–	-	(27,571)	(27,571)
Other Comprehensive Loss		–	(2,157)	–	(2,157)
Total Comprehensive Loss for the Period		–	(2,157)	(27,571)	(29,728)
Equity Transactions:					
• Share-based Payments	18	–	2,585	–	2,585
• Allotment of Ordinary Shares	15	713	–	–	713
• Costs of Capital Raising	15	(27)	–	–	(27)
At 30 June 2017		**219,493**	**16,526**	**(177,222)**	**58,797**

The above consolidated 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 2017

1. Earnings per Share (EPS)

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):

	2017 $000	2016 $000
Net loss used in calculating basic and diluted earnings per share	**(27,571)**	(25,980)
	No.	No.
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**374,699,571**	319,882,595
	$	$
Basic and diluted loss per share	**(0.07)**	(0.08)

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

Diluted EPS is calculated by taking the net loss attributable to ordinary equity holders and dividing it by the sum of the weighted average number of ordinary shares and the weighted average number of convertible instruments. For the financial year ended 30 June 2017, diluted EPS is equal to basic EPS as the Group is currently in a loss position and any conversion of instruments to ordinary shares would have an antidilutive effect on earnings per share.

As of the end of financial year 2017 there were 29,023,827 (2016: 28,709,232) options and 3,638,000 (2016: 2,760,000) performance rights on issue.

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 loss, would be 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;
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

2. Dividends Paid and Proposed

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

3. 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 (who is 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. The Chief Executive Officer reviewed the medical segment revenue information categorised by the segment's two product lines, Oncology and Body Composition (or "Other"). Thus, consistent with the prior year, we have included the product line information as part of the medical segment revenue disclosure.

Types of Products and Services

Medical

The Medical segment is a supplier of non-invasive medical devices to two under-served markets: (1) aiding in the subclinical assessment of individuals at risk of secondary lymphoedema ("Oncology") and (2) the monitoring of body composition and hydration ("Other"). The medical cash generating unit (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 ("T&M").

Accounting Policies and Inter-Segment Transactions

Accounting Policies

The accounting policies used by the Group in reporting segments internally are consistent with the prior period.

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.

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".

3. Segment Reporting (Continued)

(A) OPERATING SEGMENTS (Continued)

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 general overhead, group insurance and office expenses. Corporate charges are allocated to each business segment on a proportionate basis linked to segment headcount and the allocation of employee time between each segment in order to determine a segmental result.

Inter-Segment Transactions

Inter-entity sales are recognised based on internally set transfer prices. All inter-entity sales are eliminated for the purposes of segment reporting. 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. All inter-entity loans are eliminated for the purposes of segment reporting.

Major Customers

The Group has several customers to which it provides both products and services. In both the Medical and Test & Measurement segments, no one customer accounts for more than 10% of the Group's revenues. The Group does not believe there is inherent risk for future financial years that would stem from reliance on revenue growth from any one customer.

Segment Revenues and Regment Results

On a monthly basis, the Chief Executive Officer assesses the performance of each segment by analysing the segment's revenues and net operating profit / (loss) 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.

3. Segment Reporting (Continued)

(A) OPERATING SEGMENTS (Continued)

YEAR ENDED 30 JUNE 2017	MEDICAL				
	ONCOLOGY $000	OTHER $000	TOTAL MEDICAL $000	T&M $000	TOTAL $000
Revenue					
Device Revenue	1,288	678	1,966	764	2,730
Consumable and Rental Revenue	2,589	153	2,742	38	2,780
Operating Lease Revenue	–	–	–	–	–
Rendering of Services	36	33	69	187	256
Total Segment Revenue	**3,913**	**864**	**4,777**	**989**	**5,766**
Unallocated Revenue - Finance Income			367	–	367
Total Consolidated Revenue			**5,144**	989	**6,133**
Results					
Segment Results			(26,769)	(873)	(27,642)
Depreciation and Amortisation Expenses			(221)	(34)	(255)
Finance Costs			–	–	–
Total Segment Loss Before Income Tax			**(26,990)**	(907)	**(27,897)**
Income Tax Expense					(40)
Unallocated Net Loss for the Period					(27,938)
Unallocated Results					367
Total Consolidated Net Loss for the Period					**(27,571)**
Assets and Liabilities					
Segment Assets			63,224	1,119	64,343
Unallocated Assets			–	–	–
Total Assets			**63,224**	1,119	**64,343**
Segment Liabilities			(5,356)	(190)	(5,546)
Unallocated Liabilities					
Total Liabilities			**(5,356)**	(190)	**(5,546)**
Other Segment Information					
Capital Expenditure			355	–	355
Write Down in Value of Inventories			10	–	10

3. Segment Reporting (Continued)

(A) OPERATING SEGMENTS (Continued)

YEAR ENDED 30 JUNE 2016	MEDICAL				
	ONCOLOGY $000	OTHER $000	TOTAL MEDICAL $000	T&M $000	TOTAL $000
Revenue					
Device Revenue	866	660	1,526	1,515	3,041
Consumable and Rental Revenue	2,301	132	2,433	4	2,437
Operating Lease Revenue	39	10	49	17	66
Rendering of Services	22	40	62	185	247
Total Segment Revenue	3,228	842	4,070	1,721	5,791
Unallocated Revenue - Finance Income			156	–	156
Total Consolidated Revenue			4,226	1,721	5,947
Results					
Segment Results			(25,493)	(458)	(25,951)
Depreciation and Amortisation Expenses			(148)	(36)	(184)
Finance Costs			(1)	–	(1)
Total Segment Loss Before Income Tax			(25,642)	(494)	(26,136)
Income Tax Expense					–
Unallocated Net Loss for the Period					(26,136)
Unallocated Results					156
Total Consolidated Net Loss for the Period					(25,980)
Assets and Liabilities					
Segment Assets			89,902	1,478	90,570
Unallocated Assets					–
Total Assets			89,902	1,478	90,570
Segment Liabilities			(5,005)	(311)	(5,316)
Unallocated Liabilities					
Total Liabilities			(5,005)	(311)	(5,316)
Other Segment Information					
Capital Expenditure			109	–	109
Write Down in Value of Inventories			5	18	23

3. Segment Reporting (Continued)

(B) GEOGRAPHICAL INFORMATION

The following tables present revenue and profit/ (loss) information and certain asset and liability information regarding geographical segments for the years ended 30 June 2017 and 2016. Revenue data is based on the location of the customer for geographical reporting purposes.

Australia/Rest of World (ROW)

Australia is the corporate home office of the Group and the main domicile of its research and product development activities, contract manufacturing of devices and corporate services. The Australia/ROW geographical segment primarily sells and ships Medical CGU products to customers and distributors located in Australia, Europe and the rest of the world excluding the US.

North America

The Group's North American office in Carlsbad, California serves as the operational hub for the Medical segment and the domicile of its main assets and Executive personnel. This office sells and ships Medical CGU products to customers located in the US. The Bloomington, Minnesota office serves as operational, marketing and business development support for the Medical segment.

The operational hub for the Test & Measurement segment is located in San Diego, California and it sells and ships test and measurement products and services to customers located throughout the world.

YEAR ENDED 30 JUNE 2017	AUSTRALIA / ROW $000	NORTH AMERICA $000	TOTAL $000
Revenue			
Device Revenue	1,493	1,237	2,730
Consumable and Rental Revenue	266	2,514	2,780
Service Revenue	57	199	256
Total Segment Revenue	1,816	3,950	**5,766**
Unallocated Revenue			367
Total Consolidated Revenue			**6,133**
Other Segment Information			
Non-Current Assets	294	2,794	3,088
YEAR ENDED 30 JUNE 2016			
Revenue			
Device Revenue	1,006	2,035	3,041
Consumable and Rental Revenue	279	2,158	2,437
Operating Lease Revenue	–	66	66
Service Revenue	58	189	247
Total Segment Revenue	1,343	4,448	5,791
Unallocated Revenue			156
Total Consolidated Revenue			5,947
Other Segment Information			
Non-Current Assets	21	2,900	2,921

4. Revenue

	2017 $000	2016 $000
Sale of Goods		
Device Revenue	**2,730**	3,041
Consumable and Rental Revenue	**2,780**	2,437
Operating Lease Revenue	**-**	66
Total Sales of Goods	**5,510**	5,544
Finance Income		
Interest income - Bank Deposits	**305**	136
Interest Income - Term Deposits	**62**	20
Total Finance Income	**367**	156

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.

4. Revenue (Continued)

Impact of AASB 15 Revenue from Contracts with Customers

On May 28, 2014, the International Accounting Standards Board ("IASB") issued AASB 15 *Revenue from Contracts with Customers*, which replaces IAS18 *Revenue* and sets out the requirements for recognising and measuring revenues arising from contracts with customers. AASB 15 requires that, to recognise revenue, a company shall apply the following five steps:

Step 1: Identify the contract(s) with the customer
Step 2: Identify the performance obligations
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation based on the relative standalone selling prices of each good or service promised in the contract
Step 5: Recognise revenue when (or as) a performance obligation is satisfied

AASB 15 includes more disclosure requirements about the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. For the Group, AASB 15 shall be applied for the annual period beginning 1 July 2018.

The Group has continued to progress its assessment of the impact adoption of the standard will have. This assessment has been focused on reviewing the contractual terms of the Group's various revenue streams related to legacy inventory under the five-step model, and highlighting anticipated differences in the recognition and disclosure of revenue.

For the period ended 30 June 2017, the Group has assessed that, if early adopted, it is likely that AASB 15 would not have had a material impact on revenue recognition within each operating segment, given revenue is generally recorded on passing control of goods to customers. The Group will continue to assess the impact that adoption of this standard will have on revenue recognition moving forward.

For the 2019 financial year and beyond, a preliminary assessment identified the following areas of possible change in accounting for revenue under AASB 15:

The Group is currently assessing the effect that enforceable terms of customer contracts will have on future revenue recognition, given the additional revenue streams expected from the Group's SOZO™ device platform. A detailed and complete impact assessment has not yet been finalised, and wil be completed during the next financial year.

5. Other Income and Expenses

	2017 $000	2016 $000
R&D Tax Incentive	**2,893**	2,348
Proceeds or Losses from Tax Refunds and Other Rebates	**(11)**	15
	2,882	2,363

Tax Incentive Revenue

The Australian Taxation Office (ATO) provides certain Research and Development tax incentives and concessions under the AusIndustry R&D Tax Incentive program. The program is a broad-based entitlement program that aims to promote innovation within Australia for eligible R&D activities.

The Group accrues for amounts when there is reasonable assurance of receipt. Whilst there is a judgement involved in when there is reasonable assurance, the Group now has a past history of successful lodgings and receipt with the ATO. Any difference between the amount accrued and the actual cash received will be recognised in the year of receipt. Previously reasonable assurance was deemed to occur when the cash was received.

6. Expenses

SALARIES AND BENEFITS	2017 $000	2016 $000
Wages and Salaries (i)	**11,169**	8,939
Performance & Sales Incentives	**3,380**	3,946
Superannuation	**443**	333
Annual Leave & Long Service Leave	**423**	242
Employee Benefits (i)	**960**	847
Other Employee Costs (i)	**992**	715
Sub-Total Salaries and Benefits	**17,367**	15,022
Share-based Payments to Employees	**2,572**	2,500
Total Salaries and Benefits	**19,939**	17,522

(i) Certain Employee Benefits and Other Employee Costs were included in Wages and Salaries in the prior year. These amounts have been reallocated for the prior year to allow for a better breakdown of Salaries and Benefits.

RESEARCH AND DEVELOPMENT	2017 $000	2016 $000
Product Development (i)	**3,942**	2,409
Other Reseach and Development	**66**	30
Sub-total Research and Development	**4,008**	2,439
Oncology Clinical Trials	**1,213**	1,119
Cardiology and Other Clinical Trials	**115**	51
Unrestricted Grants (ii)	**-**	432
Sub-total Clinical Trials	**1,328**	1,602
Total Research and Development	**5,336**	4,041

(i) During the financial year, the Group continued its focus on the development of SOZO™, a connected device for precisely measuring and monitoring tissue composition and fluid status using the Group's patented bioimpedance spectroscopy (BIS) technology for early detection and management of chronic disease. Initial development of the device was completed during the year, with the Group obtaining a CE Mark in June 2017.

(ii) The Group's commitment related to unrestricted grants for a medical registry ended during the financial year.

6. Expenses (Continued)

ADMINISTRATIVE AND GOVERNANCE FEES	2017 $000	2016 $000
Directors Fees	**498**	520
Governance and Regulatory Fees	**821**	584
Insurance	**385**	206
Administrative Expenses (i)	**857**	355
Foreign Currency Loss on Transactions (ii)	**28**	2,320
Total Adminstrative and Governance Fees	**2,589**	3,985

(i) Administrative expenses during the current financial year include an inventory write-down related to legacy BIS measurement devices and componentry of approximately $560,000.

(ii) During the prior financial year, a portion of the foreign currency loss for the Group was due to the Parent entity holding US dollars during a period of fluctuating exchange rates. These funds were subsequently transferred to the Group's US subsidiaries and any further translation impacts are recorded in Other Comprehensive Income or Loss and within the Foreign Currency Translation Reserve. The foreign currency loss in the current period relates to realised losses on cash, receivable, and payable transactions.

CONSULTING AND PROFESSIONAL FEES	2017 $000	2016 $000
Professional Fees	**563**	400
Consulting Fees	**1,471**	1,510
Patent and Trademark Fees	**917**	1,301
Total Consulting and Professional Fees	**2,951**	3,211

DEPRECIATION AND AMORTISATION INCLUDED IN STATEMENT OF COMPREHENSIVE INCOME	2017 $000	2016 $000
Depreciation of Property and Equipment	**152**	90
Depreciation of Demo and Loan Devices	**73**	63
Amortisation of Leasehold Improvements	**17**	20
Amortisation of Patents and Licenses	**2**	2
Amortisation of Software	**11**	9
Sub-total Research and Development	**255**	184
Depreciation of Operating Lease and PSA Devices (i)	**17**	20
Total Depreciation and Amortisation	**272**	204

(i) This depreciation relates to devices under product supply agreements (PSA) or operating leases with the Group and has been included in cost of goods sold. Under a PSA, the Group maintains ownership of the device and receives revenue on the purchase of consumable products.

7. Current Assets - Cash and Cash Equivalents

	2017 $000	2016 $000
Cash at Bank and in Hand	**7,668**	2,586
Short Term Deposits	**47,216**	79,668
Cash and Cash Equivalents	**54,884**	82,254

RECONCILIATION FROM NET LOSS AFTER TAX TO NET CASH FLOW FROM OPERATIONS

	2017 $000	2016 $000
Net Loss After Tax	**(27,571)**	(25,980)
Adjustments For:		
Depreciation and Amortisation Expense	**255**	184
Share-based Payment Expense	**2,585**	2,517
Amounts Set Aside for Provisions	**624**	30
Unreleased Foreign Currency (Gain) Loss	**(31)**	2,330
Changes in Net Assets and Liabilities:		
Decrease/(Increase) in Assets:		
Inventories	**(721)**	383
Fixed Assets	**(26)**	(118)
Receivables	**(287)**	(2,845)
Other Current and Non-current Assets	**(624)**	(199)
(Decrease)/Increase in Liabilities		
Current Payables	**(22)**	200
Other Current and Non-current Liabilities	**252**	1,076
Net Cash Used in Operating Activities	**(25,566)**	(22,422)

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of approximately 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.

8. Current Assets - Trade and Other Receivables

	2017 $000	2016 $000
Trade Receivables	**1,233**	956
Allowance for Impairment Loss	**(6)**	(16)
Interest Receivable	**38**	51
Tax and Other Receivables	**2,539**	2,516
Total Trade and Other Receivables	**3,804**	3,507

Allowance for Impairment Loss on Current Assets

Trade receivables are non-interest bearing and are generally on 30-90 day terms, based upon customer. 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:

	2017 $000	2016 $000
At July 1	**16**	9
Charge for the Year	**-**	9
Amounts Written Off (Included in Administrative and Governance Expenses)	**(9)**	(1)
Foreign Exchange Translation	**(1)**	(1)
At June 30	**6**	16

8. Current Assets - Trade and Other Receivables (Continued)

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

As at 30 June, the ageing analysis of trade receivables is as follows:

	TOTAL	NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED		
			<30 Days	30-60 Days	>61 Days
2017	**1,227**	**644**	**20**	**120**	**443**
2016	940	847	62	16	15

During the period, the Group engaged with several distributors in the European market. As part of the signing agreements and initial distributor orders, and after extensive credit risk reviews, the Group granted extended terms beyond 90 days to certain distributors. The Group is confident that the trade receivables related to these distributors will be collected.

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.

Trade receivables, which generally have 30-90 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, unless otherwise agreed, are generally considered objective evidence of impairment.

9. Current Assets - Inventories

	2017 $000	2016 $000
Raw Materials (at cost)	**1,082**	803
Sub-assemblies (at cost)	**437**	381
Finished Goods (at cost)	**873**	486
Provision for Obsolete Inventory (i)	**(927)**	(292)
Total Inventories at the Lower of Cost and Net Realisable Value (ii)	**1,465**	1,378

(i) During the period, the Group recognised a provision for approximately $560,000 related to medical segment inventory.
(ii) 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 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 at an amount at or above the carrying value.

Inventories are valued at the lower of cost and net realisable value. Inventory write-downs recognised as an expense in cost of sales totaled $10,000 (2016: $23,000) for the Group.

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.

A provision for inventory obsolescence is recorded when it is determined the net realisable value of inventory is lower than its cost. Factors contemplated in determining net realisable value are expected future usage, sales volumes and price and the age and nature of the inventory held.

10. Non-Current Assets - Other Financial Assets

	2017 $000	2016 $000
Deposits - Premise Leases (i)	**61**	48
Deposits - Contract Manufacturers (ii)	**66**	-
Restricted Cash (iii)	**31**	-
Carrying Amount of Non-current Assets	**158**	48

(i) The deposits on the premise leases are held until the shorter of (1) the conclusion of the lease or (2) the voluntary release date by the landlord.
(ii) During the period, a deposit was placed with a potential contract manufacturer for the Group's SOZO™ device.
(iii) The premise lease on the Australian office was renewed for an additional three-year term, therefore the restricted cash is considered non-current

Fair Value and Credit Risk

Details regarding fair values are disclosed in note 27.

Interest Rate Risk

Details regarding interest rate risk exposure are disclosed in note 26.

Credit Risk

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

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.

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.

11. Non-Current Assets - Property and Equipment

RECONCILIATION OF CARRYING AMOUNTS AT THE BEGINNING AND END OF THE PERIOD

YEAR ENDED 30 JUNE 2017	LEASED, DEMO & LOAN DEVICES $000	LEASEHOLD IMPROVE-MENTS $000	PROPERTY & MACHINERY $000	COMPUTER EQUIPMENT $000	TOTAL $000
At 1 July 2016 Net Of Accumulated Depreciation	160	36	64	136	396
Additions	-	20	171	136	327
Disposals	(31)	-	-	-	(31)
Transfers from Inventory	81	-	-	-	81
Depreciation charge for the year	(88)	(17)	(46)	(107)	(258)
Effect of Foreign Exchange	9	-	-	(6)	3
At 30 June 2017 Net Of Accumulated Depreciation	**131**	**39**	**189**	**159**	**518**
At 30 June 2017					
Cost	876	215	544	537	2,172
Accumulated Depreciation (i)	(745)	(176)	(355)	(378)	(1,654)
Net Carrying Amount	**131**	**39**	**189**	**159**	**518**

RECONCILIATION OF CARRYING AMOUNTS AT THE BEGINNING AND END OF THE PERIOD

YEAR ENDED 30 JUNE 2016	LEASED, DEMO & LOAN DEVICES $000	LEASEHOLD IMPROVE-MENTS $000	PROPERTY & MACHINERY $000	COMPUTER EQUIPMENT $000	TOTAL $000
At 1 July 2015 Net Of Accumulated Depreciation	126	30	28	114	298
Additions	-	26	60	82	168
Disposals	(17)	-	-	-	(17)
Transfers from Inventory	129	-	-	-	129
Depreciation charge for the year	(84)	(20)	(25)	(64)	(193)
Effect of Foreign Exchange	6	-	1	4	11
At 30 June 2016 Net Of Accumulated Depreciation	160	36	64	136	396
At 30 June 2016					
Cost	859	198	382	411	1,850
Accumulated Depreciation (i)	(699)	(162)	(318)	(275)	(1,454)
Net Carrying Amount	160	36	64	136	396

(i) During the financial year, the Group disposed of assets that were previously under lease agreements and had a remaining value of $21,000 (2016: $17,000). Both the device cost and accumulated depreciation were reduced by the amortised values.

11. Non-Current Assets - Property and Equipment (Continued)

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:

Property & Machinery and Computer Equipment	1 - 10 years
Devices under lease, PSA 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.

Certain assets classified as Property and Machinery Equipment during the year have been determined to have a one-year useful life based on the expected economic life of the assets and are amortised using the straight-line method.

Certain Leasehold Improvements capitalised by the Group were calculated to have useful lives that mirror their respective premise leases.

De-recognition

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

12. Non-Current Assets - Intangible Assets and Goodwill

RECONCILIATION OF CARRYING AMOUNTS AT THE BEGINNING AND END OF THE PERIOD

YEAR ENDED 30 JUNE 2017	SOFTWARE & DEVELOPMENT $000	PATENTS & LICENSES $000	GOODWILL $000	TOTAL $000
At 1 July 2016 Net of Accumulated Amortisation & Impairment	20	21	2,436	2,477
Arising During the Year	27	–	–	27
Amortisation	(11)	(2)	–	(13)
Effect of Foreign Exchange	–	(1)	(78)	(79)
At 30 June 2017 Net of Accumulated Amortisation & Impairment	36	18	2,358	2,412
At 30 June 2017				
Cost (Gross Carrying Amount)	336	33	2,358	2,727
Accumulated Amortisation & Impairment	(300)	(15)	–	(315)
Net Carrying Amount	**36**	**18**	**2,358**	**2,412**

RECONCILIATION OF CARRYING AMOUNTS AT THE BEGINNING AND END OF THE PERIOD

YEAR ENDED 30 JUNE 2016	SOFTWARE & DEVELOPMENT $000	PATENTS & LICENSES $000	GOODWILL $000	TOTAL $000
At 1 July 2015 Net of Accumulated Amortisation & Impairment	17	23	2,368	2,408
Arising During the Year	12	–	–	12
Amortisation	(9)	(2)	–	(11)
Effect of Foreign Exchange	–	–	68	68
At 30 June 2016 Net of Accumulated Amortisation & Impairment	20	21	2,436	2,477
At 30 June 2016				
Cost (Gross Carrying Amount)	317	34	2,436	2,787
Accumulated Amortisation & Impairment	(297)	(13)	–	(310)
Net Carrying Amount	20	21	2,436	2,477

12. Non-Current Assets - Intangible Assets and Goodwill (Continued)

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 three or 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.

Development Costs

In addition, during the year the Group capitalised certain costs related to the development of SOZO™ in accordance with AASB 138 *Intangible Assets*, as the future economic benefits attributable to certain project costs could be reasonably determined. These intangible assets have been determined to have a one-year useful life based on the expected economic life of the assets and are amortised using the straight-line method.

Impairment Tests for Goodwill and Intangible Assets with Indefinite Useful Lives

Patents and Licenses

The Group holds three licences and numerous patents. 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 2017 or 2016.

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.

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. During the current period, the key focus of the Medical CGU was the sale of devices for the subclinical 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 2017 and 2016.

12. Non-Current Assets - Intangible Assets and Goodwill (Continued)

Impairment Tests for Goodwill and Intangible Assets with Indefinite Useful Lives (Continued)

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 legal action for infringement of XiTRON's patent and to establish a base in the US for the Medical CGU to service and support the Group's medical business.

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 a ten-year period and analysing the net present value (NPV) of cash flows, noting no impairment is required.

A ten-year forecast is an appropriate measure to reflect the value of the Medical CGU, while creating new markets and working through commercialisation milestones. Over the ten-year forecast a year-over-year average revenue growth rate of approximately 30% (2016: 30%) is calculated.

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

1) increased revenue arising from the following factors / considerations:
   - Product acceptance and rate of adoption (by clinicians), particularly in the US;
   - Progress in obtaining regulatory clearances for SOZO™ in the US, to expand testing beyond just high-risk patients;
   - Progress in having US customers adhere to the clinical practice guidelines, such as the NCCN Guidelines and NAPBC accreditation requirements, to ensure cancer patients are monitored for lymphoedema and referred for lymphoedema management as needed;
   - The continuation of an environment where there are no cleared competitive products in the US lymphoedema clinical assessment market; and to some extent
   - Progress in having a Category I CPT reimbursement code accepted by US healthcare payers to reimburse physicians for the use of the L-Dex® test;

2) Ability to sell products at amounts in excess of both cost of sales and general operating costs;

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. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

In calculating the value in use, a discount rate of 12.5% pre-tax has been used in the 2017 financial year (2016: 12.5%). In order to calculate the discount rate for use in the NPV calculation, the Group used a weighted average cost of capital (WACC) method. The Company currently has very little debt and has created equity by relying upon capital raises for its operating funds.

In addition, it is noted the market capitalisation of the Group at 30 June 2017 was approximately $282 million, which exceeded the net assets recorded (including goodwill) by approximately $223 million.

12. Non-Current Assets - Intangible Assets and Goodwill (Continued)

Accounting Policies for Goodwill and Intangible Assets

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.

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.

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 12.

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.

12. Non-Current Assets - Intangible Assets and Goodwill (Continued)

Accounting Policies for Goodwill and Intangible Assets (Continued)

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
- 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.

12. Non-Current Assets - Intangible Assets and Goodwill (Continued)

Accounting Policies for Goodwill and Intangible Assets (Continued)

Research and Development Costs (Continued)

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

	PATENTS AND LICENCES	DEVELOPMENT COSTS (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) The Group capitalised $27,000 of software costs for the year ended 30 June 2017 (30 June 2016: nil). These costs related to the development of SOZO™ and were capitalised in accordance with AASB 138 *Intangible Assets*.

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 Consolidated Statement of Comprehensive Income when the Group has either the right to access the goods or has received the services.

13. Current Liabilities - Trade and other Payables

	2017 $000	2016 $000
Trade Payables and Accruals (i)	**2,142**	1,828
Deferred Revenue	**58**	73
Employee Related Payables (ii)	**221**	532
Sales Tax and Other Payables	**156**	166
Carrying amount of Trade and Other Payables	**2,577**	2,599

(i) The Group has elected to combine trade payables and accruals as one line item (Trade payables and accruals) for all current liabilities that are known and due. Other current liabilities that are based on accounting estimates are listed as Sales Tax and Other Payables.
(ii) Employee Related Payables include expense reimbursements, commissions due to sales related personnel, and other employee related payables due and payable within twelve months.

Trade payables and accruals are unsecured and non-interest bearing and normally settle on 30-90 days terms. Sales tax and other payables are non-interest bearing and normally have longer payment terms.

Trade payables and other payables are carried at amortised cost and, due to their short-term nature, 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.

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 26.

14. Provisions

	2017 $000	2016 $000
Current		
Employee Benefits (i)	**2,857**	2,565
Warranty Provision	**31**	29
Office Lease - Make Good Provisions	**4**	8
Total Current Provisions	**2,892**	2,602
Non-Current		
Employee Benefits	**13**	64
Deferred Rent Liability	**31**	27
Office Lease - Make Good Provisions	**33**	24
Total Non-Current Provisions	**77**	115

(i) The provision for current employee benefits primarily relates to the estimate for employee short-term incentives related to that financial year, as well as a provision for accrued employee annual leave.

The short-term incentive plan is a cash based incentive which is awarded based on annual performance. For the financial year ended 30 June 2017, the incentive plan focused on both Group and individual performance.

Movements in Provisions

Movements in each class of provision during the financial year are set out below:

	ANNUAL LEAVE $000	STI $000	LONG SERVICE LEAVE $000	WARRANTY PROVISIONS $000	DEFERRED RENT LIABILITY $000	MAKE GOOD PROVISIONS $000
At 1 July 2016	643	1,922	64	29	27	32
Arising During the Year	733	2,221	94	37	40	17
Utilised	(574)	(2,104)	(52)	(35)	(35)	(16)
Unused Amounts Reversed	–	(31)	(7)	–	–	–
Exchange Differences	(18)	(20)	(1)	-	(1)	4
At 30 June 2017	784	1,988	98	31	31	37
At 1 July 2015	453	1,037	62	24	20	22
Arising During the Year	472	2,073	2	63	23	19
Utilised	(294)	(1,220)	–	(58)	(15)	(9)
Unused Amounts Reversed	–	2	–	–	–	–
Exchange Differences	12	30	–	–	(1)	–
At 30 June 2016	643	1,922	64	29	27	32

14. Provisions (Continued)

Nature and Timing of Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic 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 Entitlements

Employee entitlements comprise accrued entitlements for annual leave, performance pay superannuation contributions and long service leave.

Employee entitlements 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.

Retirement Benefit Obligation

Contributions to superannuation plans are recognised as an expense when they become payable. The Group contributes to various defined contribution superannuation funds in respect to all employees and at various percentages of their salary, including contributions required by the Superannuation Guarantee Charge. These contributions are made to external superannuation funds and are not defined benefits programs. Consequently, the Group's legal or constructive obligation is limited to these contributions.

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 Australian corporate bond market discount rates with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Warranty Provision

A provision for warranty is recognised for expected warranty claims on products sold during the last year, based on experience of the level of repairs and returns and on the one-year warranty period that is generally given for 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 at the Group's various office locations.

Make Good Provision

To comply with office lease agreements, the Group must restore leased premises to the original condition at the end of each premise's respective lease term. Because of the nature of the liability, the greatest uncertainty in estimating the provision is the cost that will ultimately be incurred. The provision for each premise has been calculated using pre-tax discount rates of 1-8%, depending on the location of the premise.

15. Contributed Equity

Ordinary Shares

	2017 $000	2016 $000
Ordinary Shares Fully Paid	**219,493**	218,807
	219,493	218,807

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.

Ordinary shares fully paid include transaction costs of $27,000 (2016: $4.0 million) pertaining to the cost of capital from the exercise of options during the current reporting period. Fully paid ordinary shares carry one vote per share and carry the right to dividends. The transactions costs for the prior period, also contain the costs associated with a capital raise.

	NUMBER OF SHARES	$000
At 1 July 2015	293,287,840	147,349
Issued During the Period as a Result of:		
Issue of Ordinary Shares	80,296,631	75,434
Transaction Costs	–	(3,976)
At 30 June 2016	373,584,471	218,807
Issued During the Period as a Result of:		
Issue of Ordinary Shares	**1,941,565**	**713**
Transaction Costs	**–**	**(27)**
At 30 June 2017	**375,526,036**	**219,493**

Capital Management

	2017 $000	2016 $000
Total Borrowings (i)	**2,577**	2,599
Less Cash and Cash equivalents	**(54,884)**	(82,254)
Net Debt	**(52,307)**	(79,655)
Total Equity	**58,797**	85,254
Total Capital	**6,490**	5,599
Net Debt To Equity Ratio	**N/A**	N/A

(i) Trade and other payables

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

16. Reserves

Movements in Other Reserves

	PERFORMANCE SHARE RESERVE $000	SHARE OPTION RESERVE $000	FOREIGN CURRENCY TRANSLATION $000	TOTAL $000
At 1 July 2015	542	7,123	3,494	11,159
Foreign Currency Translation	–	–	2,422	2,422
Share-based Payment	572	1,945	–	2,517
At 30 June 2016	1,114	9,068	5,916	16,098
Foreign Currency Translation	–	–	**(2,157)**	**(2,157)**
Share-based Payment	**733**	**1,852**	**–**	**2,585**
At 30 June 2017	**1,847**	**10,920**	**3,759**	**16,526**

The Group currently maintains two long-term incentive plans for share-based payments. All options issued under the long-term incentive plans 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 volume weighted average stock price over the five days prior to the option grant. No options or performance rights provide dividend or voting rights to the holders.

Further details on share-based payments are provided in Note 18.

At 30 June 2017, there were 32,661,827 (30 June 2016: 31,469,232) unissued ordinary shares in respect of 29,023,827 (30 June 2016: 28,709,232) unlisted options, 3,638,000 (30 June 2016: 2,760,000) performance shares and nil (30 June 2016: nil) listed options.

Nature and Purpose of Reserves

Share Option Reserve and Performance Share Reserve

The share option and performance share reserves are used to record the value of share-based payments provided to employees and participants, including KMP, as part of their remuneration. Refer to Note 18 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.

17. Key Management Personnel (KMP)

Compensation of Key Management Personnel

	2017	2016
Short-term Employee Benefits (i)	**4,318,047**	4,983,578
Post-employment Benefits	**120,469**	93,854
Severance Benefits	**317,134**	264,676
Share-based Payments	**2,191,975**	1,898,683
Total Compensation (ii)	**6,947,625**	7,240,791

(i) Short-term employee benefits include salaries and wages, short-term incentives earned during the period, other one-time short-term incentives, and non-monetary benefits such as insurance benefits.

(ii) The majority of KMPs are based in the US and are paid in USD. The total compensation is therefore translated for financial reporting purposes to AUD on a monthly basis. The translation of compensation from USD to AUD caused a translation effect in increasing the applicable expense related compensation when compared to the prior reporting period. The average AUD to USD exchange rate for the current period was $0.75, while the average exchange rate for the prior reporting period was $0.73.

For additional detail related to the compensation of key management personnel please refer to the accompanying Directors' Report.

Interests held by Key Management Personnel

Share options and performance rights held by KMP, under the EIP and ESOP to purchase ordinary shares, have the following expiry dates and exercise prices:

GRANT TYPE	ISSUE DATE	EXPIRY DATE	EXERCISE PRICE	2017	2016
Options	2008	2016	$0.72	-	52,251
Options	2011	2016	$0.68	-	50,000
Options	2011	2018	$0.68	16,667	-
Options	2011	2019	$0.68	16,666	-
Options	2012	2017	$0.46	-	405,000
Options	2012	2018	$0.46	16,667	-
Options	2012	2019	$0.46	220,001	-
Options	2013	2018	$0.11	2,686,300	2,936,300
Options	2013	2019	$0.11	-	233,334
Options	2013	2023	$0.35	7,252,561	7,252,561
Options	2014	2018	$0.18	300,000	300,000
Options	2014	2019	$0.21	2,622,216	2,680,550
Performance Rights	2015	2018	$0.00	1,944,000	2,104,000
Options	2015	2021	$0.69	4,526,000	5,061,000
Performance Rights	2016	2020	$0.00	250,000	500,000
Options	2016	2022	$0.87	912,500	1,025,000
Options	2016	2022	$1.00	512,500	512,500
Options	2016	2022	$1.03	150,000	650,000
Performance Rights	2017	2021	$0.00	1,076,000	-
Options	2017	2024	$1.46	1,207,000	-
Options	2017	2024	$1.66	1,092,000	-
				24,801,078	23,762,496

18. 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:

	2017 $000	2016 $000
Expense Arising from Equity-settled share-based Payment Transactions - Employees (i)	**1,838**	1,928
Expense Arising from Equity-settled share-based Payment Transactions - Consultants (i)	**13**	17
Expense Arising from Equity-settled Performance Rights Payment Transactions - Employees (ii)	**734**	572
Total Expense Arising from Share-based Payment Transactions	**2,585**	2,517

(i) Share option grants to employees and consultants that were expensed during the year were valued under either the Black Scholes Model or the Monte Carlo valuation method. Under both valuation methods, a higher share price at the date of grant will often lead to a higher value per option. Options granted to employees and consultants during the year had a grant date pricing range of $0.74 to $1.66, whereas in the prior year the range was $0.87 to $1.03.

(ii) Performance rights granted during the period were valued using the fair value of the share price on the date of issue. During the year, the Group continued to increase the ratio of performance related grants for KMP and certain employees.

Equity-Settled Transactions

The Group provides benefits to employees (including key management personnel (KMP)) and certain consultants in the form of share-based payments, whereby employees and consultants 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 Incentive Plan (EIP), which provides benefits in the form of shares, options or performance shares to employees and consultants, including the CEO. This plan has a US Sub-Plan established as an appendix to the EIP;
- The Employee Share Option Plan (ESOP), which provides benefits to employees and consultants, including the CEO if he or she is not a member of the Board of Directors. This Group has two (2) ESOPs – one for US based employees and one for Australian based employees; and
- The CEO Option Plan

Further details of the share-based payment plans are described below. During the current financial year, the Group continued to operate under the Employee Incentive Plan (EIP).

Stakeholders and industry participants expect that the Group's remuneration framework should provide competitive and appropriate remuneration so that the company can attract and retain skilled employees and motivate them to improve Group performance. For all financial year 2017, the Group operated under the Employee Incentive Plan for issuing and maintaining employee share option schemes.

Under the EIP, participants are eligible to receive Shares, Options or Performance Rights, which will help to align the interests of employees (participants) with those of the Group and its Members.

No share options schemes were issued under the ESOP during the year. Outstanding options that reside under the ESOPs remain under that plan, but any outstanding options under the ESOPs that are cancelled or forfeited do not become available under the EIP nor return to the available option pool.

18. Share-Based Payment Plans (Continued)

(A) TYPES OF SHARE-BASED PAYMENT PLANS

Employee Incentive Plan (EIP)

On 30 October 2014, the Board resolved to establish the Employee Incentive Plan and the corresponding US Sub-Plan as a means of providing incentives to employees, consultants and Executive or non-Executive Directors of ImpediMed, Inc.

Purpose of the EIP and the US Sub-Plan

The purpose of the EIP is to provide a long-term incentive for employees to work with commitment toward enhancing the value of the Group and the shares for the benefit of shareholders, as well as to retain and attract employees whose contributions are, or may be, beneficial to the growth and development of the Group.

Issue of Options Excluded from Group's 15% Limit under ASX Listing Rule 7.1

Under ASX Listing Rule 7.1, subject to certain exceptions, a company must not issue more than 15% of the company's total issued capital without shareholder approval. An exception is provided in ASX Listing Rule 7.2 (exception 9) where holders of ordinary securities approve the issue of securities under an employee incentive scheme as an exception to ASX Listing Rule 7.1.

Limits on Incentives to be Issued under the Plan

The Board will not issue incentives which, once exercised or vested, result in Shares being issued under this Employee Incentive Plan, including any sub-plan, which comprise more in aggregate than 5% of the Group's issued capital at the issue date.

EIP Plan Terms and Conditions

Incentives under the EIP include a Share, an Option, or a Performance Right. Incentives are granted to eligible employees of and collaborators with (collectively known as Participants) the Group at the discretion of the Board of Directors. In granting the incentives, which are issued for nil consideration, the Directors evaluate potential participants with respect to their abilities, experience, responsibilities and their contribution to the Group.

Unless otherwise determined by the Board, an incentive held by a Participant will lapse upon the first to occur of:

- Its expiry date;
- The Participant failing to meet the Incentive's vesting conditions with the prescribed period;
- If the Participant ceases to be employed by the Group due to resignation or retirement:
  - For vested options, 30 days after the date of cessation of employment (or such longer period as the Board determines); and
  - For unvested Incentives, the date of cessation of employment (or such longer period as the Board determines)
- If the Participant ceases to be employed by the Group due to retrenchment, or the Participant's death, permanent illness or permanent physical or mental incapacity (as certified by a medical practitioner who is approved in writing by the Board):
  - For vested options, 12 months after the date of cessation of employment (or such longer period as the Board determines); and
  - For unvested Incentives, the date of cessation of employment (or such longer period as the Board determines)

18. Share-Based Payment Plans (Continued)

(A) TYPES OF SHARE-BASED PAYMENT PLANS (Continued)

Employee Incentive Plan (EIP) (Continued)

- If the Participant ceases to be employed by the Group for any other reason:
  - For vested incentives, 30 days after the date of cessation of employment (or such longer period as the Board determines); and
  - For unvested incentives, the date of cessation of employment (or such longer period as the Board determines)
- A determination by the Board that the participant:
  - Has been dismissed or removed from office as an employee or Director of the Group for any reason which entitles the Group to dismiss the Participant without notice, or
  - Acted fraudulently, dishonestly or in breach of the participant's obligations to the Group.

If at any time or times prior to the exercise by the participant or vesting of any outstanding Incentives, there is any reconstruction (including a consolidation, subdivision, reduction, cancellation or return) of the issued capital of the Group, the terms of Incentives and the rights of the participant will be amended by the Board to the extent necessary to comply with the ASX Listing Rules at the time of the reconstruction.

An Incentive is personal to the Participant to whom it was granted, and the Participant may not sell, assign, transfer or otherwise dispose of, or make a declaration of trust in respect of, an Incentive except to an Associate of that Participant. This does not prevent the exercise of the Incentive by the estate of a deceased Participant.

The contractual life of each Incentive granted is specified by the participant's Incentive agreement. There are no cash settlement alternatives. The Incentive issued under the plan cannot be transferred and are not quoted as tradeable instruments on the ASX.

US Sub-Plan

The US Sub-Plan is effective for a period of ten years from the date of its adoption by the Board, unless terminated earlier by the Board.

The maximum number of Shares which may be issued under the US Sub-Plan is 15 million Shares. However, as stated above, the Board will not issue Incentives under this plan which, once exercised or vested, result in Shares being issued which comprise more than 5% of the Group's issued capital at the issue date.

The exercise price of an Option will not be less than the fair market value of a Share on the date of grant of the Option.

The Group's obligation to issue securities under the US Sub-Plan is subject to any restrictions in the Corporations Act or the ASX Listing Rules.

Share Options

Share options are issued to eligible participants under the EIP. The Group issued 4,213,000 (2016: 5,047,000) share options to participants under the EIP during the current year.

For new and existing employees and consultants, share options issued during the period generally vest on the one-year anniversary of the date of grant or of employment in an amount equal to the product of one-fourth multiplied by the number of total options granted.

In a situation where there is likely to be a change of control of the Group, the Board may have the discretion to determine whether some, none or all of the LTI instruments will vest.

18. Share-Based Payment Plans (Continued)

(A) TYPES OF SHARE-BASED PAYMENT PLANS (Continued)

Employee Incentive Plan (EIP) (Continued)

Performance Shares

Performance shares (or Performance Rights) are issued to eligible participants under the EIP in recognition of their contribution to the performance of the Group and are often subject to meeting individual performance conditions. The Group issued 1,419,000 (2016: 500,000) performance rights to employees under the EIP during the current year.

All performance rights are issued at the discretion of the Board of Directors and are issued for nil consideration. The performance rights granted during the year vest in full on the third anniversary of the grant date. In the event of a change of control, all outstanding unvested performance rights may vest on an accelerated basis immediately.

If the participant ceases employment with the Group where such cessation of employment is due to the participant's death, permanent illness or permanent physical or permanent mental incapacity (as certified by a medical practitioner who is approved in writing by the Board), the performance rights will fully vest on the third anniversary of the date of grant.

Performance rights which have not vested shall automatically lapse and be forfeited without consideration upon cessation of the participant's employment with the Group.

The fair value of performance shares is measured by using the weighted average stock price for ImpediMed Limited over the five 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.

Employee Share Option Plan (ESOP)

The Group has two schemes under the ESOP it operated, one for eligible Australian participants and one for eligible US participants. The only outstanding grants for the ESOP were issued prior to 30 October 2014, as no additional awards were issued under the ESOP after the creation of the EIP.

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 US under the Group's US ESOP are excluded from the 5% limit calculation.

Issue of Options Excluded from Group's 15% Llimit under ASX Listing Rule 7.1

At the Group's November 2013 AGM, shareholders approved the issue of options under both the Australian ESOP and the US ESOP for the next three years for the purpose of exception 9 of ASX Listing Rule 7.2.

18. Share-Based Payment Plans (Continued)

(A) TYPES OF SHARE-BASED PAYMENT PLANS (Continued)

Employee Share Option Plan (ESOP) (Continued)

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 cession 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.

Chief Executive Option Plan

There were no options issued under the chief Executive option plan during the current or prior year. All CEO option grants are subject to approval by the shareholders.

Options issued to the CEO were issued under the EIP or ESOP, except for the issuance of 7,252,561 options upon hiring. Those options were issued outside of any existing option schemes upon shareholder approval at the 2012 AGM. For additional information on option grants, refer to the Managing Director and CEO Remuneration section of the Remuneration Report.

(B) SUMMARY OF OPTIONS AND PERFORMANCE RIGHTS

Employee Incentive Plan (EIP)

The following table illustrates the number of shares (Number) and weighted average exercise price (WAEP) of share options under the EIP plans:

SHARE OPTIONS

	2017		2016	
	NUMBER	WAEP $	NUMBER	WAEP $
Balance at the Beginning of the Year	**11,308,000**	**0.78**	7,195,000	0.67
Granted During the Year (i)	**4,213,000**	**1.44**	5,047,000	0.94
Forfeited During the Year	**(1,926,689)**	**0.88**	(922,124)	0.79
Exercised During the Year (ii)	**(118,311)**	**0.72**	(11,876)	0.71
Balance at the End of the Year	**13,476,000**	**0.97**	11,308,000	0.78
Exercisable at 30 June (iii)	**5,024,683**	**0.73**	2,964,380	0.70

18. Share-Based Payment Plans (Continued)

(B) SUMMARY OF OPTIONS AND PERFORMANCE RIGHTS (Continued)

Employee Incentive Plan (EIP) (Continued)

PERFORMANCE RIGHTS

	2017		2016	
	NUMBER	WAEP $ (iv)	NUMBER	WAEP $
Balance at the Beginning of the Year	2,760,000	-	2,260,000	-
Granted During the Year	1,419,000	-	500,000	-
Forfeited During the Year	(541,000)	-	-	-
Balance at the End of the Year	3,638,000	-	2,760,000	-
Exercisable at 30 June	-	-	-	-

(i) All incentives granted during the current financial year were granted under the Employee Incentive Plan.
(ii) Employees and LTI participants of the Group exercised options during the year. The weighted average share price of all options exercised was $0.34 (2016: $0.26).
(iii) Certain options granted during 2016 financial year vest on a monthly basis. All options granted in the 2017 financial year vest on an annual basis.
(iv) Weighted average exercise price is nil as performance rights are issued for nil consideration.

Employee Share Option Plan (ESOP)

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

	2017		2016	
	NUMBER	WAEP $	NUMBER	WAEP $
Balance at the Beginning of the Year	17,401,232	0.28	19,247,207	0.29
Forfeited During the Year	–	-	(379,790)	0.39
Exercised During the Year	(1,823,254)	0.34	(1,259,357)	0.26
Expired During the Year	(30,151)	0.59	(206,828)	0.83
Balance at the End of the Year	15,547,827	0.27	17,401,232	0.28
Exercisable at 30 June (iii)	15,547,827	0.27	15,466,820	0.28

(i) Following the 2012 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 1.8 cent per option.
(ii) Incentives granted before 30 October 2014 were granted under the ESOP. After 30 October 2014, no additional incentives have been granted under that plan.
(iii) Employees and LTI participants of the Group exercised options during the year. The weighted average share price of all options exercised was $0.34 (2016: $0.26).

18. Share-Based Payment Plans (Continued)

(B) SUMMARY OF OPTIONS AND PERFORMANCE SHARES (Continued)

Employee Incentive Plan (EIP)

The year-end balance is represented by:

SHARE OPTIONS

NUMBER OF OPTIONS	EXERCISE PRICE ($)(i)	EXPIRY DATE
163,000	$ 0.6900	04 Dec 17
50,000	$ 0.8450	08 May 18
1,490,500	$ 0.8700	01 Jul 18
100,000	$ 1.0200	25 Aug 18
50,000	$ 0.8900	30 Sep 18
512,500	$ 1.0000	03 Nov 18
400,000	$ 1.0300	08 Dec 18
150,000	$ 1.0500	18 Jan 19
50,000	$ 0.8900	04 Apr 19
525,000	$ 0.8900	18 May 19
375,000	$ 1.3200	01 Aug 19
1,092,000	$ 1.4700	25 Oct 19
1,006,500	$ 1.4700	04 Nov 19
872,000	$ 1.4600	14 Nov 19
54,167	$ 0.4600	10 Dec 20
50,000	$ 0.4600	15 Dec 20
5,541,000	$ 0.6900	04 Dec 21
50,000	$ 0.4600	10 Dec 21
50,000	$ 0.4600	15 Dec 21
45,833	$ 0.4600	10 Nov 22
50,000	$ 0.4600	15 Dec 22
335,000	$ 1.4600	13 Nov 23
88,000	$ 0.9900	13 Jan 24
226,500	$ 0.7300	06 Mar 24
149,000	$ 0.7400	28 Apr 24
13,476,000		

PERFORMANCE RIGHTS

NUMBER OF RIGHTS	EXERCISE PRICE ($)(i)	EXPIRY DATE
2,080,000	-	04 Dec 17
150,000	-	01 Jul 18
100,000	-	08 Dec 18
175,000	-	01 Aug 19
441,000	-	25 Oct 19
57,500	-	04 Nov 19
635.000	-	14 Nov 19
3,638,000		

(i) Exercise price is nil as performance rights are issued for nil consideration.

18. Share-Based Payment Plans (Continued)

(B) SUMMARY OF OPTIONS AND PERFORMANCE SHARES (Continued)

Employee Share Option Plan (ESOP)

NUMBER OF OPTIONS	EXERCISE PRICE ($)(i)	EXPIRY DATE
150,000	$ 0.4500	31 Dec 17
16,667	$ 0.6818	31 Dec 17
20,000	$ 0.4618	30 June 18
89,333	$ 0.4618	31 Dec 18
10,000	$ 0.5818	31 Dec 18
16,666	$ 0.6818	31 Dec 18
229,800	$ 0.2600	30 Jun 19
269,333	$ 0.4618	30 Jun 19
20,000	$ 0.5818	30 Jun 19
3,475,701	$ 0.1100	30 Jun 20
125,000	$ 0.4400	30 Jun 20
450,000	$ 0.1800	30 Jun 20
3,096,166	$ 0.2100	31 Dec 20
76,600	$ 0.2600	30 Jun 21
125,000	$ 0.4400	30 Jun 21
125,000	$ 0.4400	30 Jun 22
7,252,561	$ 0.3500	8 Jul 22
15,547,827		
32,661,827		

(i) Following the 2012 rights issues all outstanding options at that time were re-priced pursuant to ASX Listing Rule 6.22 resulting in a reduction in exercise price of all outstanding options by approximately 1.8 cents per option.

Chief Executive Option Plan

There were no options issued under the Chief Executive Option Plan during the current year. Options issued to the Chief Executive Officer during the current year were issued under the Employee Incentive Plan and during prior years were issued under the Employee Incentive Plan and the Employee Share Option Plan.

18. Share-Based Payment Plans (Continued)

(C) WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE

Employee Share Option Plan

The weighted average remaining contractual life for the share options outstanding as at 30 June 2017 is 4.4 years (2016: 5.0 years). The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2017 is 1.3 years (2016: 1.6).

Chief Executive Option Plan

There were no share options outstanding at 30 June 2017 under the CEO plan (2016: nil).

(D) RANGE OF EXERCISE PRICES

Employee Share Option Plan

The range of exercise prices for options outstanding as at 30 June 2017 is $0.11-1.66 (2016: $0.11-1.05). The performance rights are issued at nil exercise price.

Chief Executive Option Plan

There were no options outstanding under the chief Executive option plan as at 30 June 2017 (2016: nil).

(E) WEIGHTED AVERAGE FAIR VALUE

Employee Incentive Plan (EIP)

The weighted average fair value of options granted during the year was $0.87 (2016: $0.57).

Chief Executive Option Plan

There were no options granted under the CEO plan in financial year 2017 (2016: nil).

(F) OPTION PRICING MODEL

The fair value of the equity-settled share options granted under the EIP and ESOP schemes is estimated as at the date of grant using either the Black Scholes option valuation model or the Monte Carlo Simulation if there is a restriction on the share price for exercisability of the option – taking into account the terms and conditions upon which the options were granted.

18. Share-Based Payment Plans (Continued)

(F) OPTION PRICING MODEL (Continued)

The following table lists the inputs in the models used for the financial years ended 30 June 2017 and 30 June 2016:

	EIP ISSUE 2017	EIP ISSUE 2016	ESOP ISSUE 2017	ESOP ISSUE 2016
Expected Volatility (%)	**75.9**	75.2	-	-
Risk Free Interest Rate (%)	**1.9**	2.7	-	-
Expected Life of Option (Years)	**7**	7	-	-
Option Exercise Price ($)	**0.73 - 1.66**	0.87 - 1.05	-	-
Option Share Price ($)	**0.69 - 1.68**	0.87 - 1.05	-	-
Calculated Fair Value ($)	**0.38 - 1.09**	0.47 - 0.68	-	-

Performance rights are valued at the share price on the date of issue using the five-day weighted average share price.

The dividend yield for all tranches was nil. The weighted average share price for all tranches at grant date was $1.56 in financial year 2017 (2016: $0.57).

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.

18. Share-Based Payment Plans (Continued)

(G) ACCOUNTING POLICIES FOR EQUITY-SETTLED TRANSACTIONS

The cost of equity-settled transactions is measured by reference to the fair value of the equity instruments at the date they are granted. The fair value is determined by a Black-Scholes model, details of which are given in Note 18.

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 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;
- 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.

During the period, certain options of the MD & CEO were modified to amend the terms of the grant. The amendment removed the market based exercise conditions of the options. Under AASB 2, this change is viewed as a modification which must be accounted for. Specifically, AASB 2 requires both the option using the original terms and the option with the modified terms to be fair valued at the modification date. The difference between the valuations is recorded in the profit and loss to the extent the fair value of the modified options is greater. Based on the work performed in the current financial year, no additional expense was recorded for the modification of the MD & CEO's options, given the fair value of the modified option was not deemed to be greater than the existing option.

19. Income Tax

Income Tax Expense

The major components of income tax are:

	2017 $000	2016 $000
Current Income Tax		
Current Income Tax Benefit/(Expense)	(40)	–
Prior Year Over/Under Provision	–	–
Deferred Income Tax		
Related to Originiation and Reversal of Temporary Differences	–	–
Prior Year Over/Under Provision	–	–
Income Tax Benefit/(Loss) Reported in the Consolidated Statement of Comprehensive Income	(40)	–

Tax Losses

The Group has tax losses in Australia of $59.0 million (2016: $50.0 million) and tax losses in the US of USD $70.0 million (2016: USD $59.0 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.

Statement of Comprehensive Income Disclosure

	2017 $000	2016 $000
A reconciliation between tax expense and the accounting profit before income tax multiplied by the Group's applicable tax rate is as follows: Group's Applicable Tax Rate is as Follows:		
Accounting Profit/(Loss) Before Tax from Continuing Operations	**(27,531)**	(25,980)
Accounting Profit/(Loss) Before Income Tax	**(27,531)**	(25,980)
At Australia's Statutory Income Tax Rate of 27.5% (2016: 30%)	**(7,571)**	(7,794)
Adjustment for Current Income Tax of Previous Years		
Expenditure Not Allowable for Income Tax Purposes	**2,652**	2,366
Other Assessable Income	**-**	-
Non Assessable Income	**(796)**	(704)
Other Deductible Expenses	**23**	1,002
Foreign Tax Rate Adjustment	**(1,991)**	(1,566)
Tax Losses Not Recognised	**7,723**	6,696
Income Tax Reported in the Consolidated Statement of Comprehensive Income (i)	**40**	-

(i) ImpediMed Hellas, the Greece-based subsidiary of the Group, was established during the current financial year as a limited liability Idiotiki Kefalaiouhiki Eteria ("IKE"). The Greece-based subsidiary primarily provides Research & Development and Marketing related service to the Parent entity and had taxable income during the 2017 financial year. Transactions undertaken between the Parent entity and the foreign-related party give rise to several international taxing provision under Australian law. All transactions undertaken between the entities were carried out at an arm's length basis.

19. Income Tax (Continued)

DEFERRED TAX DISCLOSURES

Deferred Income Tax at 30 June Relates to the Following:

	BALANCE SHEET	
	2017 $000	2016 $000
Deferred Tax Assets		
Doubtful Debts	**2**	6
Employee Entitlements	**321**	263
s40-880 Costs	**911**	1,382
Patents and License Costs	**432**	482
Sundry Creditors and Accruals	**92**	74
Losses Available for Offset Against Future	**51,426**	45,687
Revenue Received in Advance	**22**	27
Inventory and Other Provisions	**304**	146
Unrealised Foreign Exchange Losses	**(2,161)**	(40)
Deferred Tax Liabilities		
Income not Derived for Tax Purposes	**(2)**	(7)
Property, Plant and Equipment	**-**	(24)
Deferred Tax Assets not Recognisable	**(51,347)**	(47,996)
Net Deferred Tax Balance Per Accounts	**-**	-

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 local jurisdictions as of 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 a ssociated 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.

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.

19. Income Tax (Continued)

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 in current assets, which, in general, 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.

The Group is subject to sales taxation in the US in various state jurisdictions. Sales tax has several components:

- On revenue, the Group collects sales tax from customers and remits it to state governments.
- For expenses and assets, the Group pays sales tax on the purchase of goods that are used in the course of business. Sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of sales tax included.

Receipts from customers are included in the Cash Flow Statement including sales tax amounts collected which are payable to the taxation authority. These amounts are offset by payments made to taxation authorities during each period in the Cash Flow Statement. Cash flows on expenses and assets are included in the Cash Flow Statement on a gross basis and are classified as operating, investing or financing cash flows as appropriate.

20. Parent Entity Information

INFORMATION RELATING TO IMPEDIMED LIMITED:	2017 $000	2016 $000
Current Assets	**7,077**	7,848
Total Assets	**7,720**	17,402
Current Liabilities	**2,022**	827
Total Liabilities	**2,044**	891
Issued Capital	**219,493**	218,807
Accumulated Losses	**(220,858)**	(212,478)
Performance Share Reserve	**1,847**	1,113
Share Option Reserve	**10,920**	9,069
Total Shareholders' Equity	**11,402**	16,511
Loss of the Parent Entity	**(8,380)**	(73,248)
Total Comprehensive Loss of the Parent Entity	**(8,380)**	(73,248)

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.

Included in the Loss of the Parent Entity and Total Comprehensive Loss of the Parent Entity in the prior year ie the Loss related to a tranfer of funds to the US subsidiary Entities.

Details of any commitments and any operating leases of the Parent entity are described in note 23 and any contingent liabilities of the Parent entity are described in note 24.

21. 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 2017	% EQUITY INTEREST 2016
ImpediMed, Incorporated	United States	100	100
ImpediMed, Hellas	Greece	100	N/A
Xitron Incorporated	United States	100	100

Ultimate Parent

ImpediMed Limited is the ultimate Australian parent entity.

Details relating to Directors, including remuneration paid, are included in the Directors' Report.

For the year ended 30 June 2017, and for the prior year, no transactions with Directors occurred that would be considered related party transactions. Transactions with these and all related parties are made at arm's length both at normal market prices and on normal commercial terms.

Terms and Conditions of Transactions with Related Parties:

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

Key Management Personnel (KMP)

Details relating to key management personnel, including remuneration paid, are included in note 17.

For the year ended 30 June 2017, there were no other transactions with KMP that would be considered related party transactions.

22. Auditor's Remuneration

	2017 $000	2016 $000
Amounts Received or Due and Receivable By Ernst & Young Australia for:		
Audit and Review of Financial Report of the Entity	**205,563**	183,353
	205,563	183,353

23. Commitments

Operating Lease Commitments

The Group is under lease for one (1) Australian-based facility, one Greece-based facility and three (3) US-based facilities, with a range of less than one (1) to six (6) years remaining on the leases. In April 2015, the Group signed a two-year commercial lease extension for the Brisbane-based headquarters of the Parent entity. Commitments for facilities include base rental fees and an estimate for common-area-maintenance (CAM) fees, where applicable.

There are no restrictions placed on the Group for entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2016 are as follows:

	2017 $000	2016 $000
Within One Year (i)	**502**	341
After One Year but not More Than Five (ii)	**997**	607
More Than Five Years	**-**	36
	1,499	984

(i) At 30 June 2017, $68,000 related to commitments of the Parent entity (2016: $44,000) are due within one-year.
(ii) At 30 June 2017, $121,000 related to commitments of the Parent entity (2016: nil) are due after one-year but not more than five-years.

Finance Lease Commitments

The Group does not currently have any open finance leases.

Expenditure Commitments

At 30 June 2017, the Group has commitments of $2.2 million (2016: $1.9 million), of which $0.7 million relates to commitments of additional inventory builds (2016: $0.7 million).

	2017 $000	2016 $000
Within One Year (i)	**2,223**	1,873
After one-year but not more than five-years	**-**	-
	2,223	1,873

(i) At 30 June 2017, $1,797,000 related to commitments of the Parent entity (2016: $1,150,000).

23. Commitments (Continued)

Royalty Commitments

At 30 June 2017, 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 2017.

Accounting Policies for Onerous Contracts

An onerous contract provision is recognised for contracts that are deemed onerous. Contracts are deemed onerous if the unavoidable costs of meeting the obligations under the contract exceed the benefits expected to be received.

Accounting Policies for Commitments and Leases

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

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 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. The Group had no material finance leases at 30 June 2017 (30 June 2016: nil).

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 Consolidate 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.

23. Commitments (Continued)

Impact of AASB 16 Leases

The IASB issued a new accounting standard, called AASB 16 *Leases*. It replaces the previous accounting standard, IAS 17 *Leases*, which was introduced more than 30 years ago and is no longer considered fit for purpose. AASB 16 is effective 1 January 2019. Early application is permitted for companies that also apply AASB 15 *Revenue from Contracts with Customers*. The objective of the new standard is to set out the principles that both parties to a contract [customer (lessee) and supplier (lessor)] apply, in order to provide relevant information about leases. The changes to the accounting standard don't represent major changes for the lessor, but it does mean that the lessee is required to recognise assets and liabilities arising from a lease on its balance sheet.

Consistent with the Group's current accounting policies for leases, leases under IAS 17 to date have been categorised as either 'finance leases' (which are reported on the balance sheet) or 'operating leases' (which are disclosed only in the notes to the financial statements). The new standard looks to provide transparency on the lessee's lease assets and liabilities by requiring that they be brought on to the balance sheet, and eliminates the classification of leases as either operating leases or finance leases for a lessee.

The key changes related to AASB 16, as they relate to the Group, are as follows:

- Lessees will no longer be required to classify leases as either operating or finance leases.
- Lessees will recognise all leases in the balance sheet in a similar manner to existing finance leases by recognising a 'right-of-use' asset and a lease liability for the present value of the obligation.
- If the lease contract is for a period of 12 months or less, or it is a lease of a low value asset, then the lessee may elect to apply recognition exemption to this lease. Under this exemption you can recognise the lease payments as an expense in profit or loss on either a straight-line basis, or another systematic basis that represents the pattern of your expected benefits.
- Lessees will no longer recognise straight-line expenses for operating lease costs. All leases will incur a front-end loaded expense, comprising depreciation on the right-of-use asset, and interest on the lease liability.
- Lessees will no longer recognise the lease expense as an operating expense in EBITDA. The expense will be depreciation/amortisation and interest expense outside of EBITDA.

The Group has continued to progress its assessment of the impact adoption of the standard will have. This assessment has been focused on reviewing the contractual terms of the Group's various leases, which are currently designated as operating leases.

For the period ended 30 June 2017, the Group has assessed that, if early adopted, AASB 16 would have likely resulted in a right-to-use asset and corresponding lease liabilities being brought on to the Balance Sheet. In addition, while there would have likely been an immaterial change to Total Comprehensive Loss for the Period, early adoption of AASB 16 would have likely resulted in a reduction to EBITDA.

The Group will continue to assess the impact that adoption of this standard will have on the Balance Sheet and EBITDA.

24. Contingencies

Legal Claims

At 30 June 2017, the Group has no known open claims or lawsuits against it.

Contingent Liabilities

The Group had no contingent liabilities as at 30 June 2017 or 2016.

Cross Guarantees

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

25. Events after the Balance Sheet Date

On 21 August 2017, the Group announced the submission of a premarket notification 510(k) application for SOZO™ to the US Food and Drug Administration (FDA) for fluid monitoring of patients, including patients living with heart failure.

On 14 August 2017, the Group announced the issuance by the US FDA of a 510(k) clearance to market SOZO™ to aid in the clinical assessment of unilateral lymphoedema in the United States.

On 8 August 2017, the Group announced first patient enrolment in SOZO™ CHF Trial at Scripps Health. This initial study will monitor up to 30 patients with chronic heart failure in a clinical setting for 30 days, and is expected to be completed in calendar year 2017. The real-world data generated will be used to form the basis for the design of the larger scale trial expected to be initiated by late calendar year 2017.

On 17 July 2017, the Group announced the submission of a premarket notification 510(k) application for SOZO™ to the US FDA to aid in the clinical assessment of lymphoedema. The submission uses ImpediMed's current medical device, the L-Dex® U400®, as a predicate. The L-Dex® U400® obtained its most recent FDA clearance in June of 2013.

On 4 July 2017, the Group announced that the Oncology Section of the American Physical Therapy Assocation (APTA) has developed and published an evidence-based, clinical practice guideline for lymphoedema diagnosis and management. The APTA is an organisation of professional Physical Therapists managing the needs of patients resulting from the treatment of active cancer discease. The oncology section commissioned the writing of evidence based guidelines for secondary lymphoedema in cancer survivors. This clinical practice guideline recommends L-Dex® for patients at risk of, or with early stage, lymphoedema of the arm for both detection and ongoing management.

26. 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 and foreign exchange. 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.

Interest Rate Risk

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

	2017 $000	2016 $000
Financial Assets		
Cash and Cash Equivalents (i)	**54,884**	82,254
Restricted Cash, Current and Non-current	**92**	78
	54,976	82,332
Net Exposure	**54,976**	82,332

26. Financial Risk Management Objectives and Policies (Continued)

Interest Rate Risk (Continued)

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 2017, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	POST TAX LOSS HIGHER / (LOWER)	
	2017 $000	2016 $000
+1.0% (100 Basis Points)	**550**	823
-0.5% (50 Basis Points)	**(275)**	(412)

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.

Foreign Currency Risk

As a result of operations in the US and purchases of inventory denominated in United States dollars (USD), 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 US and into Europe, and from its wholly owned subsidiaries ImpediMed, Inc and XiTRON Technologies, Inc – whose operations are denominated in 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.

Whilst the Group commenced operations in Europe during the year, the amounts that are sensitive to foreign currency risk are deemed immaterial, other than the financial assets denoted.

26. Financial Risk Management Objectives and Policies (Continued)

Foreign Currency Risk

At 30 June 2017, the Group had the following exposure to foreign currency:

	2017 $000	2016 $000
Financial Assets		
Cash and Cash Equivalents - USD	**364**	262
Trade and Other Receivables - USD	**9**	–
Trade and Other Receivables - EUR (i)	**252**	16
Trade and Other Receivables - GBP (ii)	**208**	42
Trade and Other Receivables - NZD (iii)	**-**	1
	833	321
Financial Liabilities		
Trade and Other Payables - USD	**51**	133
	51	133
Net Exposure	**782**	188

(i) EUR is Euro
(ii) GBP is Great Britain Pound
(iii) NZD is New Zealand Doller

At 30 June 2017, had the Australian dollar moved against the US dollar, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	POST TAX LOSS HIGHER / (LOWER)	
	2017 $000	2016 $000
AUD to Foreign Currency + 15% (2016: +15%)	**(96)**	(25)
AUD to Foreign Currency - 15% (2016: -15%)	**414**	28

During the period, the Group moved nil funds from the Parent entity to the US subsidiaries. In the prior period, the Group moved USD $49.0 million to the US subsidiaries to maintain funds to match USD expected expenses. In addition, the Parent entity held an additional USD $0.5 million in USD for future USD expenses (2016: USD $0.2 million).

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

- Reasonable possible movements in foreign exchange rates were determined based on a re view 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.

26. Financial Risk Management Objectives and Policies (Continued)

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.

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

There are no significant concentrations of credit risk within the Group and only $1,500,000 in outstanding term deposits held at the end of the financial year (2016: $3,000,000). The Group holds a large percentage of cash in Money Market accounts through Bank of America in the US. These accounts are not federally insured, but are highly rated and highly regulated investment funds that carry low risk of default.

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.

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 2017.

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 2017. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2017.

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.

26. Financial Risk Management Objectives and Policies (Continued)

Liquidity Risk

YEAR ENDED 30 JUNE 2017	≤ 6 MONTHS $000	6–12 MONTHS $000	1–5 YEARS $000	TOTAL
Liquid Financial Assets				
Cash and Cash Equivalents	**54,884**	**–**	**–**	**54,884**
Restricted Cash	**–**	**–**	**31**	**31**
Trade and Other Receivables	**3,804**	**–**	**–**	**3,804**
Other Financial Assets	**–**	**65**	**61**	**126**
	58,688	**65**	**92**	**58,845**
Financial Liabilities				
Trade and Other Payables	**2,392**	**185**	**–**	**2,577**
Net Flow	**56,296**	**(120)**	**92**	**56,268**
YEAR ENDED 30 JUNE 2016				
Liquid Financial Assets				
Cash and Cash Equivalents	82,254	–	–	82,254
Restricted Cash	–	31	–	31
Trade and Other Receivables	3,507	–	–	3,507
Other Financial Assets	–	–	48	48
	85,761	31	48	85,840
Financial Liabilities				
Trade and Other Payables	2,576	23	–	–
Net Flow	83,185	8	48	83,263

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

27. Financial Instruments

Fair Values

Fair values have been determined as follows:

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

Management have assessed that the fair values of the following assets approximate their carrying amounts:

	CARRYING AMOUNT		FAIR VALUE	
	2017 $000	2016 $000	2017 $000	2016 $000
Financial Assets	**54,884**	82,254	**54,884**	82,254
Cash and Cash Equivalents	**31**	31	**31**	31
Restricted Cash	**3,804**	3,507	**3,804**	3,507
Trade and Other Receivables	**127**	48	**127**	48
Other Financial Assets	**58,846**	85,840	**58,846**	85,840
Financial Liabilities				
Trade and Other Payables	**2,577**	2,599	**2,577**	2,599
	2,577	2,599	**2,577**	2,599

28. Significant Accounting Policies

Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated 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 assets and liabilities, commitments, 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.

GOING CONCERN

The going concern basis of accounting contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities. This report adopts the going concern basis.

Because of the negative cash flow from operations (and the potential reliance on continued capital raising), Management must assess the Group's ability to continue as a going concern for the purpose of the financial report for the year ended 30 June 2017 and through the date of signing the Annual Report. The assessment requires Management to use several judgements related to the expected future cash inflows and outflows, which can include new sources of financing, revenue growth and expense levels.

The Directors believe that the Group continues to be a going concern and that it will be able to pay its debts as and when they fall due for a period in excess of 12 months from the date of signing this report due to the following:

As at 30 June 2017, the Group had net assets of $58.8 million (30 June 2016: $85.3 million) and realised a loss after income tax of $27.6 million for the year ended 30 June 2017 (30 June 2016: $26.0 million). At the same date, the market capitalisation of ImpediMed Limited was $281.6 million (30 June 2016: $353.0 million) and assets of the Group exceeded liabilities by a ratio of 12:1 (30 June 2016: 17:1).

The Group had cash at its disposal of $54.9 million at 30 June 2017 (30 June 2016: $82.3 million) and had no borrowings from banks or other financial institutions at that date.

The long-term success of the business beyond this time is reliant on the generation of positive cash flows and a possible future capital raise. The Directors believe the Group can achieve positive cash flow and, if required, raise the necessary capital.

The Group maintained operating cash burn below the approved operating plan for the year ended 30 June 2017. The Group has the ability to reduce cash burn further, if necessary, and has the ability to vary certain expenditures; therefore cash outflows can be adjusted.

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.

28. Significant Accounting Policies (Continued)

Significant Accounting Judgements, Estimates and Assumptions (Continued)

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.

For assets other than inventory, the impairment triggers used by the Group did not show any indication of impairment as at 30 June 2017. As a result, no impairment has been formally estimated and no impairment loss has been recognised for these assets for this financial period. Refer to Note 12 for the complete details regarding impairment testing.

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. Refer to Note 19 for the complete details regarding deferred tax assets and deferred tax liabilities.

DEVELOPMENT COSTS

Under AASB 138 *Intangible Assets*, Management must determine the degree to which items are recognised as intangible assets, whether those items are purchased or self-created (at cost). Items are capitalised, as opposed to expensed, if, and only if (1) it is probable that the future economic benefits that are attributable to the asset will flow to the entity and (2) the cost of the asset can be measured reliably and other criteria outlined in respect of development costs are met.

This requires Management to make judgements as to the probability of future economic benefits of research and development project costs incurred by the Group, as well as to determine when technical and commercial feasibility of the assets for sale or use have been established.

ONEROUS CONTRACTS

The Group recognises onerous contract provisions when the benefits of the contract are not expected to exceed the costs to be incurred. Judgement is required in determining the future benefits to be obtained from a contract as assumptions must be made regarding future events, including the level and pricing of future sales.

28. Significant Accounting Policies (Continued)

Significant Accounting Judgements, Estimates and Assumptions (Continued)

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 12.

INVENTORY IMPAIRMENT

The Group reviews the value of inventories held to determine if inventories are being held at the lower of cost and net realisable value. This requires a determination by Management of the cost of inventories held and the subsequent recognition of these items as expenses, including any write-down to net realisable value. The review applied at 30 June 2017 showed that due to the commercial availability of SOZO™, an obsolescence indicator is likely be present for legacy BIS measurement devices. An impairment loss of approximately $560,000 was recognised during this financial reporting period related to BIS measurement devices and components.

RESEARCH AND DEVELOPMENT TAX INCENTIVE

The Group measures the amount of refund from the Australian Tax Office in relation to the research and development tax incentive on an annual basis. This requires an estimation by Management of the eligible expenses under the AusIndustry guidelines of self-assessment for the tax credit. Management works in conjunction with registered tax agents and AusIndustry to determine the eligibility of expenses and recognises a receivable and other income when there is reasonable assurance such amounts will be received.

SHARE-BASED PAYMENT TRANSACTIONS

The Group measures the cost of equity-settled transactions with employees and consultants 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 for option grants without conditions, while the Monte Carlo model is used for option grants with conditions. The assumptions are detailed in Note 18. 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.

Basis of Preparation

The financial report of the Group for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 23 August 2017.

ImpediMed Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. 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.

28. Significant Accounting Policies (Continued)

New Accounting Standards and Interpretations

Changes in Accounting Policies 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 2016. The adoption of these Accounting Standards did not have a material impact on the Group's consolidated financial statements.

REFERENCE	YEAR ENDED 30 JUNE 2017	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 2015-1	Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	1 July 2016
AASB 2015-2	Disclosure Initiative: Amendments to AASB 101	1 January 2016	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	1 January 2016	1 July 2016

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 2017. These standards and interpretations are outlined in the table below:

REFERENCE	YEAR ENDED 30 JUNE 2017	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 9	Financial Instruments	1 January 2018	1 July 2018
AASB 15	Revenue from Contracts with Customers	1 January 2018	1 July 2018
AASB 16	Leases	1 January 2019	1 July 2019

The Group has completed an initial assessment of the impact of AASB 9, AASB 15 and AASB 16. Further details as to the potential impact of AASB 15 and AASB 16 on the Group may be found in the relevant notes to the financial statements. The Group has begun preliminary reviews of AASB 9 and believes that it would likely not have had an impact on the consolidated financials of the Group.

* Designates the beginning of the applicable annual reporting period.

28. Significant Accounting Policies (Continued)

Basis of Consolidation

The consolidated financial statements comprise the financial statements of ImpediMed Limited and its subsidiaries as at and for the period ended 30 June each year (the Group). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee,
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

28. Significant Accounting Policies (Continued)

Foreign Currency Translation

FUNCTIONAL AND PRESENTATION CURRENCY

Both the functional and the presentation currency of the Parent are Australian dollars ($ or AUD). The US subsidiaries' functional currency is the United States dollar (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.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

TRANSLATION OF GROUP COMPANIES FUNCTIONAL CURRENCY TO PRESENTATION CURRENCY

The results of the US subsidiaries are translated into Australian Dollars (presentation currency) as at the average monthly exchange rate each month. 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 US subsidiaries are taken to the foreign currency translation reserve. If a US subsidiary were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in profit or loss.

COMPARATIVES

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

Directors' Declaration

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

1. In the opinion of the Directors of ImpediMed Limited:
   (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 2017 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 28.
   (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 2017.

On behalf of the Board

Cherrell Hirst AO
Chairman

Judith Downes
Director

Brisbane, 23 August 2017

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Independent Auditor's Report to the Members of ImpediMed Limited

Opinion

We have audited the financial report of ImpediMed Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- the consolidated balance sheet as at 30 June 2017;
- the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended;
- notes to the financial statements, including a summary of significant accounting policies; and
- the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Going concern

Why significant	How our audit addressed the key audit matter
The Group generated negative cash flows from operating activities of $25.6 million for the year ended 30 June 2017. The Group expects net operating cash outflows to continue over the next 12 – 24 months as it builds market acceptance of its products. The Group's ability to continue as a going concern is reliant on the generation of positive operating cash flows or further capital raising. Given the Group has yet to generate positive operating cash flows and there is no certainty that further capital can be raised this is a key audit matter. The consolidated financial report is prepared on a going concern basis which is disclosed in Note 28.	We assessed the Group's position paper on going concern and the operating plans of future cash flows on which the Group's assessment is based. We considered the Group's ability to achieve historical forecasts and agreed the cash flows forecasts for the year ending 30 June 2018 to the Board approved operating plan. We assessed cash flows in years after 30 June 2018 and understood the key drivers of growth and the likely success of a capital raise. We also evaluated the adequacy of the Group's disclosures in the consolidated financial report.

Research and development receivable

Why significant	How our audit addressed the key audit matter
At 30 June 2017 the Group recorded a research and development tax receivable for $2.4 million. This amount relates to receivables for the financial year ended 30 June 2017 under the AusIndustry Research and Development Tax Incentive program. Due to the quantum of the amounts recorded being material to the financial report and complexity of the associated tax legislation there is an inherent risk around the recoverability of the tax receivable recorded at the balance date. The receivable has been recorded as it has been determined there is reasonable assurance such amounts will be received. The receivable is disclosed in Note 8 to the consolidated financial report. Research and Development Tax Incentive income is disclosed in Note 5.	We assessed the design and operating effectiveness of relevant controls relating to the recording of research and development costs. We assessed the claim calculation prepared by the Group for compliance with the relevant legislation with the involvement of our tax specialists. We also assessed the income recognised in accordance with Australian Accounting Standards.

Provision for inventories

Why significant	How our audit addressed the key audit matter
The Group recorded a provision for obsolete inventories of $0.9 million at 30 June 2017. There is judgment required in determining inventory excess and obsolescence provisions as these are based on forecast inventory usage and assessing if the provision level is adequate. Such judgments include the Group's expectations for future sales, especially as it relates to market demand and the impact of its new medical device on existing inventory balances. The provision for obsolete inventories is disclosed in Note 9.	We performed testing on a sample of items to assess net realisable value of inventory. We compared the inventory excess and obsolescence provision to the Group's policy and assessed the Group's judgment of the adequacy of the provision. We also assessed the appropriateness of the final inventory provision with reference to forecast future sales compared to committed inventory purchases and inventory on hand at 30 June 2017.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and are required to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 35 to 56 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of ImpediMed Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001.*

Responsibilities

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.

Ernst & Young

Kellie McKenzie
Partner
Brisbane
23 August 2017

Shareholder Information (Unaudited)

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 4 August 2017.

(A) DISTRIBUTION OF SHAREHOLDERS

The distribution of Issued Capital is as follows:

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	ORDINARY SHARES	% OF ISSUED CAPITAL
100,001 and Over	264	324,776,729	86.5%
10,001 to 100,000	1,320	42,300,109	11.3%
5,001 to 10,000	690	5,490,886	1.5%
1,001 to 5,000	913	2,778,432	0.7%
1 to 1,000	426	179,880	-
Total	**3,613**	**375,526,036**	**100%**

(B) DISTRIBUTION OF OPTIONS HOLDERS

The distribution of Issued Capital is as follows:

SIZE OF HOLDING	NUMBER OF HOLDERS	UNLISTED OPTIONS	% OF OPTIONS
100,001 and Over	29	27,474,452	94.7%
10,001 to 100,000	28	1,541,375	5.3%
5,001 to 10,000	3	8,000	–
1,001 to 5,000	–	–	–
1 to 1,000	–	–	–
Total	**60**	**29,023,827**	**100%**

(C) DISTRIBUTION OF PERFORMANCE RIGHTS HOLDERS

The distribution of unquoted Performance Rights on issue are:

SIZE OF HOLDING	NUMBER OF HOLDERS	UNLISTED PERF. RIGHTS	% OF OPTIONS
100,001 and Over	7	3,371,000	92.7%
10,001 to 100,000	5	267,000	7.3%
5,001 to 10,000	–	–	–
1,001 to 5,000	–	–	–
1 to 1,000	–	–	–
Total	**12**	**3,638,000**	**100%**

Shareholder Information (Unaudited) (Continued)

(D) LESS THAN MARKETABLE PARCELS OF ORDINARY SHARES

There are 308 shareholders with unmarketable parcels totalling 68,118 shares.

(E) 20 LARGEST SHAREHOLDERS

The twenty largest shareholders of quoted equity securities are as follows:

	SHAREHOLDER	NUMBER OF FULLY PAID ORDINARY SHARES	% ISSUED CAPITAL
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	64,003,121	17.0%
2	CITICORP NOMINEES PTY LIMITED	40,083,842	10.7%
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	35,539,303	9.5%
4	NATIONAL NOMINEES LIMITED	26,820,598	7.1%
5	STARFISH TECHNOLOGY FUND 1 LP	24,285,465	6.5%
6	BNP PARIBAS NOMINEES PTY LTD	20,216,080	5.4%
7	CS THIRD NOMINEES PTY LIMITED	9,144,026	2.4%
8	BNP PARIBAS NOMS PTY LTD	6,655,216	1.8%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,763,029	1.5%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,148,110	1.1%
11	THORPE ROAD NOMINEES PTY LTD	3,011,288	0.8%
12	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,535,983	0.7%
13	CITICORP NOMINEES PTY LIMITED	2,379,304	0.6%
14	MOORE FAMILY NOMINEE PTY LTD	2,250,000	0.6%
15	SANDHURST TRUSTEES LTD	2,247,711	0.6%
16	PAKASOLUTO PTY LIMITED	2,159,148	0.6%
17	PARMA CORPORATION PTY LTD	1,946,046	0.5%
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,854,000	0.5%
19	UBS NOMINEES PTY LTD	1,447,378	0.4%
20	MS NICOLA JAGUSCH	1,300,334	0.3%
	Totals	**257,789,982**	**68.6%**
	Total Quoted Equity Securities	**375,526,036**	

(F) UNQUOTED EQUITY SECURITIES

The Company had the following unquoted securities on issue as at 4 August 2017:

58 Holders of Options Issued as Part of an Incentive Scheme:
29,023,827

The Company had the following unquoted performance rights on issue as at 4 August 2017:

12 Holders of Performance Rights Issued as Part of an Incentive Scheme:
3,638,000

Shareholder Information (Unaudited) (Continued)

(G) SUBSTANTIAL SHAREHOLDERS

The names of the Substantial Shareholders listed in the Company's Register as at 4 August 2017:

SHAREHOLDER	NUMBER OF FULLY PAID ORDINARY SHARES	% OF ISSUED CAPITAL
Allan Gray Australia Pty Ltd And Its Related Bodies Corporate	56,088,235	15.0%
FIL Limited And Its Related Bodies Corporate	34,868,096	9.3%
Starfish Technology Fund 1, Lp And Related Persons And Bodies Corporate	25,238,045	6.8%
Kinetic Investment Partners Ltd	19,302,767	5.2%
Total	**135,497,143**	**36.3%**

(H) RESTRICTED SECURITIES

The Company had no restricted securities on issue as at 4 August 2017.

(I) VOTING RIGHTS

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid ordinary share, on a poll.

(J) ON-MARKET BUY-BACKS

There is no current on-market buy-back in relation to the Company's securities.

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