impedimed®

2018

ANNUAL REPORT

IMPEDIMED LIMITED

For the Year Ended 30 June 2018 / ABN 65 089 705 144

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ImpediMed Limited Corporate Information

Chapter 1

CORPORATE INFORMATION

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

S Ward, Chairman
(Appointed Chairman 15 November 2017)

C Hirst AO, Former Chairman
(Retired 15 November 2017)

J Downes

G Goetzke

R Graham
(Appointed 15 November 2017)

A Patel

D Williams

Managing Director
R Carreon, Managing Director and CEO

Company Secretary

L Ralph

Registered 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

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

Share Register

Link Market Services
Level 21
10 Eagle Street
Brisbane QLD 4000
T.: +61 7 3320 2200

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

Website

www.impedimed.com

Solicitors

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

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

Bankers

Commonwealth Bank of Australia
240 Queen Street
Brisbane QLD 4000

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

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Chairman's Report

Scott Ward

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 2018 financial year. This has been a transformative year for the Company, as we began our evolution to a connected digital health platform through SOZO. The Company continued to execute on its strategy by achieving a number of important milestones during the year, which Richard Carreon will describe in detail in his CEO Letter.

Board Composition

I was appointed Chairman of the Board following the retirement of Dr Cherrell Hirst AO at our November 2017 Annual General Meeting. Cherrell was a Member of our Board for over 12 years and she served as the Chair for six years. We are very grateful for Cherrell's leadership, her many contributions to ImpediMed and her extraordinary commitment to improve the quality of care for breast cancer patients across the world.

I am pleased that we have a strong Board of Directors at ImpediMed. Over the past two years, we have added several new Board Members with strong core competencies in business management, finance, accounting, digital health, reimbursement and healthcare economics. In 2017, we announced the appointment of Professor Robert (Bob) Graham to the Board. As a leading cardiologist, Dr Graham will bring critical medical judgement and perspective to our organization. He has a wealth of experience in both the Australian and US cardiovascular markets, as an Executive Director at the Victor Chang Cardiac Research Institute in Sydney, Australia and over 17 years of experience in US healthcare.

Taken in total, our Board has the experience and skill necessary to assure sound governance while also providing effective support and guidance for management as, together, we build ImpediMed into a high growth, global medical technology company.

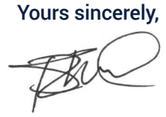
ImpediMed's Corporate Governance Statement, which accompanies the release of the Annual Report, outlines the corporate governance practices currently in place for the Company and also addresses the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations). The Board continues to review the governance framework and practices of the Company to ensure they meet the interests of shareholders and other stakeholders.

Gratitude

On behalf of our entire Board, I would like to extend our gratitude to all of our ImpediMed employees for their dedication to our company and their passionate commitment to the patients that we serve. We also extend our thanks and congratulations to our Managing Director and CEO, Rick Carreon, and the Management Team. Under Rick's leadership, ImpediMed has transformed into a Mission driven, patient-centric company focused on the development and commercialization of SOZO bioimpedance spectroscopy for the treatment of lymphedema and chronic heart failure.

And finally, thank you to our shareholders for your ongoing support. We look to the future with a sense of determination and great enthusiasm as we focus on driving adoption of our technology and building sustainable revenue growth through our subscription business model. As always, we look forward to engaging with you throughout the year and at our 2018 Annual General Meeting.

Yours sincerely,



Scott Ward
Chairman

Chief Executive Officer's Letter

Richard Carreon

Managing Director and Chief Executive Officer

Dear Shareholders,

It has been a very important and successful year for the organisation as we expanded our significant body of clinical evidence, achieved multiple regulatory milestones, continued to focus on our reimbursement strategy, and began our initial launch of SOZO in the US, marking a transition to a subscription revenue business model.

As we enter the 2019 financial year, we enter our first full year with SOZO available in the US market. Based on feedback we have received from customers thus far, we are very excited for the coming year as we expand our footprint in the US market and make a positive impact by improving the quality of life of the patients utilising our technology.

Financial Results

Revenue and Key Metrics

Total recognised revenue in the medical operating segment decreased by 27% year-over-year to $3.5 million for the 2018 financial year (2017: $4.8 million). The decrease in Medical Revenue occurred as we began transitioning the business to a subscription revenue model in conjunction with the introduction of the SOZO Digital Health Platform.

This transition to a subscription revenue model caused a shift in how the Group recognises revenue. Under the capital equipment and consumable model, revenue was typically recognised upon shipment of tangible products. Under our updated model, revenue related to subscription services is recognised over the life of the contract.

In our glossary of terms on page 26 of the Directors' Report we provide detailed definitions of the key metrics that are likely to drive value under the Subscription Business Model. In Q4 of this year, subscription revenue accounted for 10% of the Group's quarterly Medical Revenue, which was an increase from 3% in Q3, the first full quarter since initial lauch of SOZO.

We introduced SOZO to the US market in Q2 of the 2018 financial year and in just over six months have built up a Contracted Revenue Pipeline of $3.5 million, equal to the recognised revenue for all of FY2018, and Annual Recurring Revenue of $1.3 million. We are very encouraged by the positive reception to SOZO to date and with the early feedback we are receiving from clinicians using SOZO.

The SOZO Digital Health Platform gives us the ability to increase contract value for each customer over time by the addition of incremental SOZO units, new indications and new modules.

Cash on hand at 30 June 2018 was $31.3 million and net cash used in operating activities was $23.5 million for the financial year. With the initial product development for SOZO hardware complete, regulatory clearances behind us, and a significant body of clinical evidence, the Group remains in a strong position to invest in the areas critical for sustained acceleration of revenue over the course of the 2019 financial year. We enter the 2019 financial year with a Contracted Revenue Pipeline of $3.5 million from the initial support of SOZO and a continued focus on financial discipline.

We will continue to update you on the progress and growth of our metrics and we look forward to having you join us in the 2019 financial year as we fully transition to our subscription revenue model.

Investment Highlights and Key Milestones

The Cancer Survivorship and Chronic Heart Failure markets are both large and attractive markets, each representing market sizes of well over $1 billion per annum. With SOZO, we now have a highly disruptive, non-invasive technology for the clinical monitoring of tissue composition and fluid status that is capable of addressing these markets by way of accelerated and sustainable revenue streams.

Significant Body of Clinical Evidence

We continued to effectively build a significant body of clinical evidence, which will likely further drive adoption of our technology throughout the 2019 financial year.

Multiple, independent, investigator-led clinical studies have reported significantly lower rates of clinical grade lymphoedema by monitoring patients with L-Dex® and intervening. The peer-reviewed publications have monitored over 1,400 patients, utilising prospective screening and intervention for breast cancer related lymphoedema.

For ImpediMed's multi-centre, prospective, randomised controlled PREVENT Trial, the principal investigator released pre-specified interim analysis at the end of the 2018 calendar year. The aim of the trial is to achieve a relative 20% improvement over the standard of care - a tape measure. Early results demonstrate a 67% relative improvement in progression to clinical grade lymphoedema in the L-Dex arm compared to tape measure arm.

We have been working with world leading institutions on Chronic Heart Failure (CHF) trials, with first data being presented at the World Congress of Heart Disease in the first quarter of the 2019 financial year. In addition, peer-reviewed publications have monitored approximately 250 CHF patients in five separate studies. Data from these initial studies has led to the initiation of a larger multi-centre study of approximately 200 patients and this study will be the catalyst for initiating broad market adoption for CHF with SOZO.

Regulatory Pathway

During the 2018 financial year, we continued to make tremendous progress in clearing the regulatory pathway for our technology. Since June 2017, the Group has achieved numerous regulatory clearances:

JUNE 2017
CE Mark achieved for SOZO in Australia and Europe, covering multiple indications including fluid status monitoring for heart failure, L-Dex for lymphoedema monitoring and hydration monitoring.

AUGUST 2017
SOZO cleared for assessment of unilateral lymphoedema in the US.

DECEMBER 2017
SOZO cleared for fluid monitoring for CHF.

APRIL 2018
SOZO cleared for assessment of bilateral lymphoedema in the US.

Reimbursement and Guidelines

In January 2015, a dedicated Category I CPT® Code for L-Dex came into effect at U$112 per test in the US market. In July 2018, a proposed increase to this Category I CPT® Code was announced, which is expected to increase the amount per test to U$146, effective January 2019.

The expansion of published industry guidelines will also be a catalyst for ImpediMed in the coming year, with a number of key guidelines already in place:

- **The National Comprehensive Cancer Network (NCCN) requires that breast cancer patients be monitored for lymphoedema.**
- **American Society of Clinical Oncology (ASCO) and American Cancer Society (ACS) have issued joint guidelines on managing lymphoedema.**

- **The American Physical Therapy Association (APTA) has developed guidelines for using L-Dex to monitor breast cancer patients and published an evidence-based, clinical practice guideline for lymphoedema diagnosis and management.**
- **The National Accreditation Program for Breast Centers (NAPBC) accreditation now requires a survivorship care plan.**

As we continue to expand our clinical body of evidence and as L-Dex continues to be published in industry guidelines, we will aim to see payments extended to private payors. ImpediMed is building a compelling case for private payors to initiate payments in the 2019 financial year and we expect that the introduction of private payors would further drive acceleration of the business.

The reimbursement pathway for CHF is vastly different than our journey thus far with L-Dex. Our technology will look to leverage existing codes for CHF and home monitoring to remotely manage patients. Our model is a strong fit to the evolving US reimbursement environment, as a shift occurs away from fee-for-service related reimbursement and to value based medicine. In addition, there are current guidelines in place for daily monitoring Class III patients for fluid burden in the US.

We believe SOZO is uniquely positioned to replace current monitoring methods through our precise, non-invasive and cost-effective technology. We are excited to make significant progress in optimising outcomes for CHF patient management in the coming financial year and look forward to having you join us on that journey.

Thank you

Thank you to our Shareholders for your continued support. We look forward to delivering on our milestones and updating you on key metrics throughout the coming year.

As always, my sincere thanks goes out to all our ImpediMed team members and their families.

Yours sincerely,

Richard Carreon
Managing Director and Chief Executive Officer

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Chapter 2

DIRECTORS' REPORT

Directors

YOUR DIRECTIONS SUBMIT THEIR REPORT FOR THE YEAR ENDED 30 JUNE 2018.

Details of listed company directorships held since 1 July 2015 are provided.

Scott Ward

MS, BSc, Non-Executive Chairman

Scott Ward was appointed Chairman on 15 November 2017 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.

Listed company directorships held since 1 July 2015:

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.

Cherrell Hirst

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

Dr. Hirst retired from her position on 15 November 2017. Cherrell 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 was appointed Deputy Chairman on 12 July 2011 and Chairman on 8 November 2011. 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.

Listed company directorships held since 1 July 2015:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	August-05	November-17
Factor Therapeutics Limited	June-09	-
Medibank Private Limited (i)	December-09	August-17

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

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.

Listed company directorships held since 1 July 2015:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	April-17	-
Devine Limited	January-13	January-16

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.

Listed company directorships held since 1 July 2015:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	August-16	-

Robert Graham

AO, FAHMS, MBBS, MD, FRACP, FACP, FAHA
Non-Executive Director

Dr Graham was appointed to the board in November 2017 and serves on the Remuneration and Nomination Committees.

Robert received his medical training at the University of New South Wales where he is now the Des Renford Professor of Medicine, (UNSW). He has been the inaugural Executive Director, Victor Chang Cardiac Research Institute (VCCRI), Sydney, Australia, since returning to Australia in 1994 after 17 years in the US working at the University of Texas Southwestern Medical School, Dallas; the Massachusetts General Hospital, Harvard Medical School; the Massachusetts Institute of Technology, and the Cleveland Clinic Foundation and Case Western Reserve University School of Medicine. He maintains an active clinical practice as a consultant physician in cardiorenal diseases.

A Fellow of the Australian Academy of Science, the Australian Academy of Health and Medical Sciences, and Foreign Member, Royal Danish Academy of Sciences and Letters, his research focuses on molecular cardiology, with emphasis on circulatory control mechanisms, hypertension, receptor signalling and cardiac hypertrophy, as well as cardiac regeneration and the application of stem cells for the treatment of heart diseases. He is a Fellow of the American Heart Association; Life Member, Heart Foundation of Australia (NSW Division), and Member, American Society for Clinical Investigation; the Appointments and Promotions Committees of the Queensland Institute of Medical Research; the Garvan Institute of Medical Research, and the Centre for Vascular Research, University of NSW.

Current and previous commercial/biotech experience: Founding board member and contributing scientist, EngeneIC Ltd and MirAcl Therapeutics, Ltd. (cancer therapeutics), Sydney; Chairman, ImmunoCare Therapies, Inc., Nevada, USA; Chairman, VCCRI IP&C Committee; Member, Scientific Advisory Boards of Mesoblast Ltd. (stem cells/regenerative medicines), Melbourne, and Zensun Ltd. (cancer and heart failure therapeutics), Shanghai; and Chairman, Scientific Advisory Board of The Bosch Institute, University of Sydney, and Board Member, VCCRI; Member, Board of Directors, Lowy Medical Research Institute (LMRI), and Board of Scientific Governors, LMRI MacTel Project (retinal vasculopathy).

Listed company directorships held since 1 July 2015:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	November-17	-

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 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.

Listed company directorships held since 1 July 2015:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	March-17	-

Donald Williams

CPA, Non-Executive Director

Donald Williams was appointed to the Board in March 2017, chairs the Remuneration Committee 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.

Listed company directorships held since 1 July 2015:

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.

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.

Listed company directorships held since 1 July 2015:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	May-15	-

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	Title	Ordinary Shares
S Ward	Chairman	225,000
J Downes	Non-Executive Director	82,600
G Goetzke	Non-Executive Director	14,100
R Graham	Non-Executive Director	-
A Patel	Non-Executive Director	-
D Williams	Non-Executive Director	30,000
R Carreon	Executive Director	869,225

Company Secretary

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

Frank Vicini

Chief Medical Officer

Morten Vigeland

Chief Financial Officer

Shashi Tripathi

Chief Technology Officer (i)

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

(i) Shashi Tripathi joined the Group on 2 July 2018 as Chief Technology Officer.

Dividends

No dividends were paid or proposed to be paid to shareholders for the year ended 30 June 2018.

Principles Activities

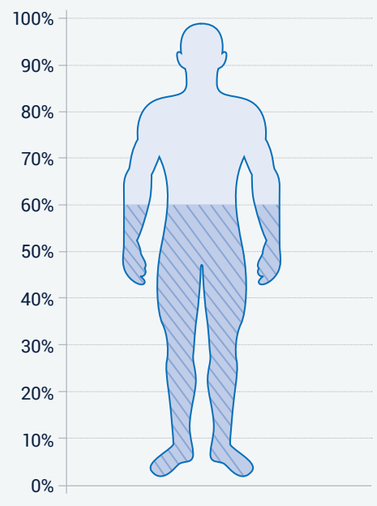
ImpediMed is the world leader in the design and manufacture of medical devices employing bioimpedance spectroscopy (BIS) technologies for use in the non-invasive clinical assessment and monitoring of tissue composition and fluid status.

ImpediMed produces a family of FDA cleared and CE Marked medical devices, including SOZO® for multiple indications including heart failure and lymphoedema, sold in select markets globally.

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

BIS Provides the Tools for Good Clinical Decision Making

- Historically, it has been difficult to detect and understand the changes happening inside a patient's body over time.
- The commonly used measures of weight, blood preasure, and BMI are crude, have limited information value, and are often misleading.
- More precise tissue measurements (such as Dexa or CT scanning) are expensive and not suitable for routine use due to radiation exposure.
- More precise fluid (intracellular and extracellular) measurements (such as deuterium oxide dilution) are costly and extremely time consuming.
- BIS is able to provide accurate and informative metrics simply, for the routine monitoring and health-management of patients.



~60%

OF THE HUMAN BODY IS MADE UP OF WATER

* This graph represents a diagram depicting a percentage scale of fluid and is not a representation of the distribution of fluid in the human body.

Milestones

IAC World Congress Poster Acceptance

The abstract titled *Utilisation of Bioimpedance Spectroscopy in lieu of Invasive Monitoring for Monitoring Fluid Overload* was accepted for presentation in the Poster Session "*Heart Failure: Diagnosis and Management*" for the Advanced Scientific Program for Friday July 27, 2018. This abstract will be published in the online journal of CARDIOLOGY following the meeting.

ALA Presentation

L-Dex® featured highly at the 12th Australasian Lymphology Association (ALA) conference held in Brisbane from 17th - 19th May 2018.

ASBrS Presentation

Dr. Lyndsey Kilgore from The University of Kansas Cancer Center made an oral presentation on her work - *Reducing Breast Cancer Related Lymphedema (BCRL) through Prospective Surveillance Monitoring Using Bioimpedance Spectroscopy (BIS) and Patient Directed Self-Interventions* at the American Society for Breast Surgeons (ASBrS) in Orlando, Florida.

PREVENT Interim Results

Announced that the PREVENT prosective, randomized trial interim analysis has demonstrated promising results in preventing Lymphoedema. The analysis was performed on over 500 patients.

FDA 510(k) Clearance for SOZO for Bilateral Lymphoedema

Issuance by the US FDA of a 510(k) clearance to market SOZO as an aid in the clinical assessment of bilateral lymphoedema in adult patient's arms or legs. This new clearance reflects the SOZO system's ability to assess patients at risk of bilateral lymphoedema, where a patient is at risk in either both arms or both legs. This clearance greatly expands the available market for our technology.

Sharp HealthCare Center of Excellence

ImpediMed enters into a multi-year commercial agreement with Sharp HealthCare to be a Centre of Excellence with SOZO with L-Dex for their cancer care program.

FDA 510(k) Clearance for SOZO CHF

Issuance by the US FDA of a 510(k) clearance to market SOZO for fluid monitoring of patients in the US living with chronic heart failure.

L-Dex Abstracts Presented at San Antonio Breast Cancer Symposium

Four abstracts were presented at the San Antonio Breast Cancer Symposium December 2017 further supporting the value of prospective surveillance using L-Dex for the early detection of subclinical lymphoedema and subsequent reduction in chronic BCRL rates.

Category I CPT Code Updated Rate

CMS published the new payment amounts for CPT code 93702 beginning on 1 January 2018.

Multi-year Exclusive Distribution Agreement

ImpediMed signed Regional Health Care Group as its exclusive distribution partner for SOZO in Australia and New Zealand.

Whitworth Study Published

Publication of major study in a leading peer-reviewed medical journal provides mounting number of peer reviewed publications on positive impact of L-Dex.

First Shipments of SOZO with L-Dex in US Commenced in October 2017.

New Study Clinical Outcomes L-Dex

A retrospective analysis was published in the journal Breast Cancer Research and Treatment by Dr. David I Kaufman to examine the impact of a prospective surveillance protocol utilising BIS to detect BCRL at a sub-clinical, reversable stage. The patients were monitored with L-Dex. The study reported dramatically lower rates of BCRL than have been reported in contemporary studies where patients have not been prespectively evaluated for the development of BCRL.

US FDA 510(k) Clearance Issued for SOZO with L-Dex

Issuance by the US FDA of a 510(k) clearance to market SOZO as an aid in the clinical assessment of unilateral lymphoedema. This clearance put ImpediMed ahead of schedule for the planned market launch of SOZO in the US.

First Patient Enrolled

Announced first patient enrolled in the initial CHF trial using SOZO at Scripps Health. This trial is designed to measure fluid levels in New York Heart Association (NYHA) Class III CHF patients.

L-Dex Recommended In Clinical Practice Guidelines

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 and recommends L-Dex for patients at risk of, or with early stage, lymphoedema of the arm.

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 $26.3 million (2017: $29.7 million). The loss from continuing operations after income tax was $27.2 million (2017: $27.6 million) and the net loss for the year ended 30 June 2018 was $27.1 million (2017: $27.5 million). The decreased loss from continuing operations, when compared with the prior year, is primarily attributed to a reduction to Research and Development project costs associated with the completion of the SOZO I Hardware. This decrease was slightly offset by a decrease in revenue and an increase in the non-cash expense for share-based payments, when compared to the prior period.

The decreased total comprehensive loss, when compared with the prior year, relates to a $0.9 million gain on foreign currency translations of foreign subsidiaries, compared to a $2.2 million loss in the prior period.

The initial commercial rollout of SOZO has greatly advanced the use of BIS technology. Over 140 leading US cancer centres are now utilisiing the BIS technology.

The Group continued to make great strides in the advancement of its BIS technology as part of the initial commercial rollout of SOZO during the year. These achievements were marked by the growing and significant body of clinical evidence, multiple regulatory clearances, and advancements with reimbursement.

Significant Body of Clinical Evidence	• Lymphoedema - Peer Reviewed Publications of 1,460 patients in 5 studies • CHF - Peer Reviewed Publications ~250 patients in 5 studies • +400 Peer Reviewed Publications using BIS for Tissue and fluid monitoring across many chronic diseases
Regulatory Clearances	• FDA Clearance for the clinical assessment of lymphoedema • FDA Clearance for monitoring patients with CHF (clinical and at-home monitoring) • CE Mark for multiply indications including lymphoedema and CHF
Reimbursement	• Category I CPT® Code for lymphoedema • Existing codes for CHF and home monitoring • Our model fits the evolving US reimbursement environment (Fee-for-Service to Value Based Medicine)

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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. The device is designed for use in hospitals, clinics, and in patient's homes under a clinician's direction. During the period, the Group recognised $0.9 million in revenue related to this initial rollout of SOZO (2017: $0.1 million).

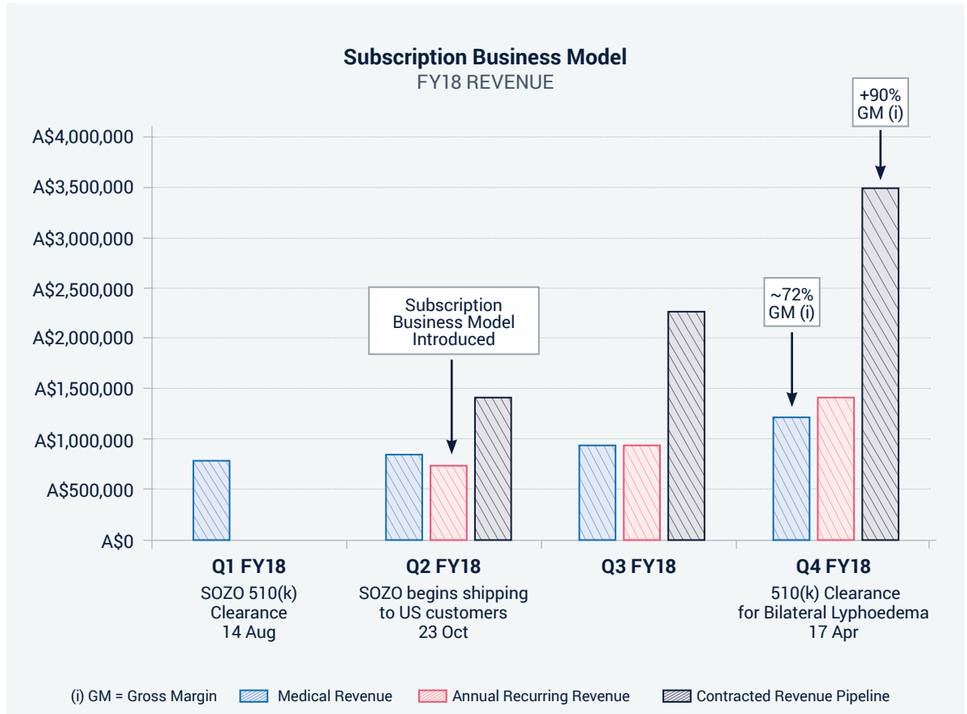
In addition to revenue recognised during the period, the Group ended the 2018 financial year (FY18) with an additional $3.5 million in Contracted Revenue Pipeline (CRP), of which $1.3 million was considered Annual Recurring Revenue (ARR). In the fourth quarter of the current period, the Group signed $1.9 million in Total Contract Value (TCV), which was a record quarter for SOZO TCV since the initial rollout.

TCV, CRP and ARR are unaudited, non-IFRS financial metrics that do not represent revenue in accordance with Australian Accounting Standards. Please see page 26 of the report for a glossary of terms used by ImpediMed under the subscription revenue model.

The average exchange rate for the reporting period was US dollar (USD) $0.775 to Australian dollar (AUD) $1.00 (2017: USD $0.754). During 2018, the Group incurred unrealised mark-to-market foreign currency translation losses of less than $0.1 million (2017: $0.1 million). The small loss in the current period primarily relates to exchange rate fluctuations in foreign denominated trade receivables and payables between the transaction date and settlement date. In the prior period, the small loss primarily related to exchange rate fluctuations in moving funds between entities for operations.

SOZO SUBSCRIPTION REVENUE MODEL

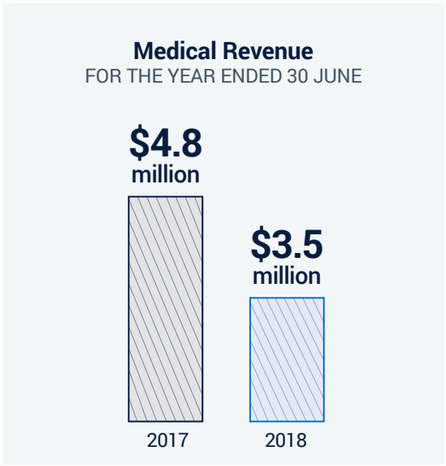
In the second quarter of the 2018 financial year, ImpediMed began transitioning the business to a Subscription Business Model in conjunction with the introduction of the SOZO Digital Health Platform. Current Medical Revenue consists of legacy products and consumables, as well as revenue from the SOZO platform, which primarily consists of device revenue and subscription services.

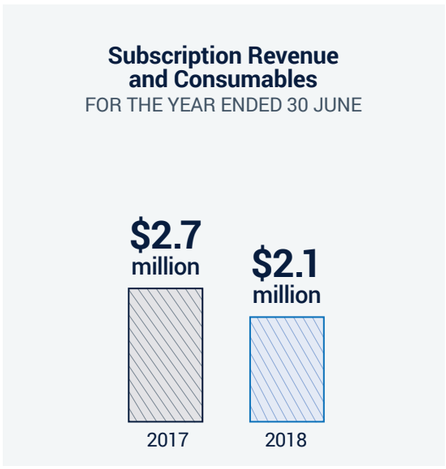


Glossary of Terms used by IPD	
Medical Revenue:	The total revenue recognised during a given period related to the medical segment.
Total Contract Value (TCV) (i):	The total value of customer contracts including one-time and recurring revenue.
Contracted Revenue Pipeline (CRP) (i):	The future period revenue amounts related to TCV that are yet to be reported as recognised revenue. Certain customer contracts that make up the Group's CRP contain cancelation clauses related to services yet to be performed. The Contracted Revenue Pipeline assumes no churn, highlighting the importance of customer experience and satisfaction.
Annual Recurring Revenue (ARR) (i):	The amount of revenue reasonably expected to be booked for the next 12-month period based existing signed contracts, and assuming installation upon sale.

(i) TCV, CRP and ARR are unaudited, non-IFRS financial metrics that do not represent revenue in accordance with Australian Accounting Standards

KEY REVENUE COMPONENTS





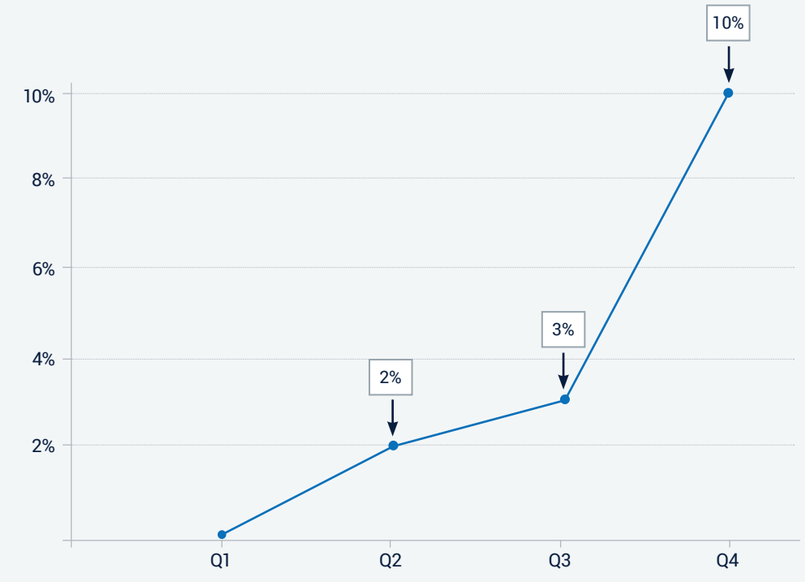
* Refer to footnote 4 of the Financial Statements for details on the Group's Segment Reporting.

Revenue related to goods and services for the year ended 30 June 2018 were $4.8 million (2017: $5.8 million). On an operating segment basis, Medical Revenue was $3.5 million (2017: $4.8 million) and T&M Revenue was $1.3 million (2017: $1.0 million).

During the period, the Group sold its products through a mix of employed sales reps and independent distributors. In the US market, the Group has an employed, direct sales force that focuses on the sale of the SOZO Digital Health Platform and its associated subscription services related to patient assessments.

MEDICAL REVENUE BY TYPE

Cost of sales for the current period were $1.6 million, a increase of 7% (2017: $1.5 million). The increase in cost of sales related to a larger percentage of sales in the medical segment stemming from the sale and placement of SOZO devices in the market, compared to the prior year. The gross margin for the Group decreased to 67% for the current period (2017: 74%), net of finance income. The gross margin related to the SOZO product segment is expected to increase over time as the revenue streams from subscription services increase. This is reflective of the transition to the sale of SOZO as the main business segment of the Group.



SOZO Recurring Revenue relates to Subscription Revenue that has been recognised during the financial year. At the end of the fourth quarter of FY18, recurring Subscription Revenue accounted for 10% of the Group's quarterly Medical Revenue.

Salaries and benefits decreased to $16.8 million, an decrease of 3% (2017: $17.4 million). The employee headcount at 30 June 2018 was 68 (2017: 76). The decrease in salaries and benefits and employee headcount in the current year were primarily due to the decrease in headcount from the prior period. The decrease is reflective of strategic changes in order to best support the transitions into a technology space with SOZO.

Research and development expenses decreased to $0.9 million, an decrease of 78% (2017: $4.0 million). The decrease in research and development expenses related to the transition from the development phase and into the commercialisation phase of SOZO. Additionally, the Group began capitalizing new software development costs during the current year related to the development of the SOZO v2.0 software.

Clinical Trial expenses increased to $2.1 million, a increase of 62% (2017: $1.3 million). 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 a trial with Scripps Health saw full enrolment during the period.

Independent Clinical Evidence Continues to Expand

Multiple, indepedent, investigator-led clinical studies have reported significantly lower rates of clinical grade lymphoedema by monitoring patients with L-Dex are intervening.

Investigator	Duration	Reported Outcomes	Percent Improvements	Number of Patients
Kilgore 2018*	2014-2017	• 34% identified elevated L-Dex followed by intervention • 6% progressed to clinical stage disease versus reported incidence rate 20-40%	82%	146
Whitworth 2017	2010-2016	• 12% identified elevated L-Dex followed by intervention • 3% progressed to clinical stage disease versus reported incidence rate 10-50%	75%	596
Kaufman 2017	2010-2016	• 10% identified elevated L-Dex followed by intervention • 0% progressed to clinical stage disease versus reported incidence rate 20-53%	100%	206
Laidley & Anglin 2016	2008-2013	• 12% identified elevated L-Dex followed by intervention • 3% progressed to clinical stage disease versus reported incidence rate 3.5-4.7%	75%	326
Soran 2014	2010-2013	• 33% identified elevated L-Dex followed by intervention • 4% progressed to clinical stage disease versus reported incidence rate 36%	88%	186
Total Patients Evaluated				**1,460**

* Kilgore Study Conclusion: "Our results demonstrated that early conservative intervention for breast cancer patients high risk for BCRL who were prospectively monitored by utilizing BIS significantly lowers rates of BCRL. These findings support early prospective screening and intervention for BCRL. Early detection with patient-directed interventions improves patient outcomes and decreases the risk of persistent BCRL."

Administrative and governance related expense increased to $3.4 million, an increase of 31% (2017: $2.6 million). The increase in the current financial year relates to an increase in inventory impairment related to the Group's legacy bioimpedance spectroscopy (BIS) measurement devices and componentry.

Consultants and professional fees increased to $3.2 million, an increase of 7% (2017: $3.0 million). The increase in the current financial year was primarily due to additional activity relating to the support of the commercialisation of SOZO. Additionally the Group incurred higher consulting expenses related to remuneration than in the prior period.

Rent and property expenses increased to $0.8 million, an increase of 60% (2017: $0.5 million). The increase in the current financial year relates to rent expense under the Group's premises operating leases. The current financial year contains eleven-months of expense for an expansion to the Group's US Headquarters, a full year of expense for the Group's European research and development office, as well as a one-time lump sum expense relating to the early termination of the lease for the US Regional office.

Non-cash share-based payment expense increased to $3.3 million, an increase of 27% (2017: $2.6 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.

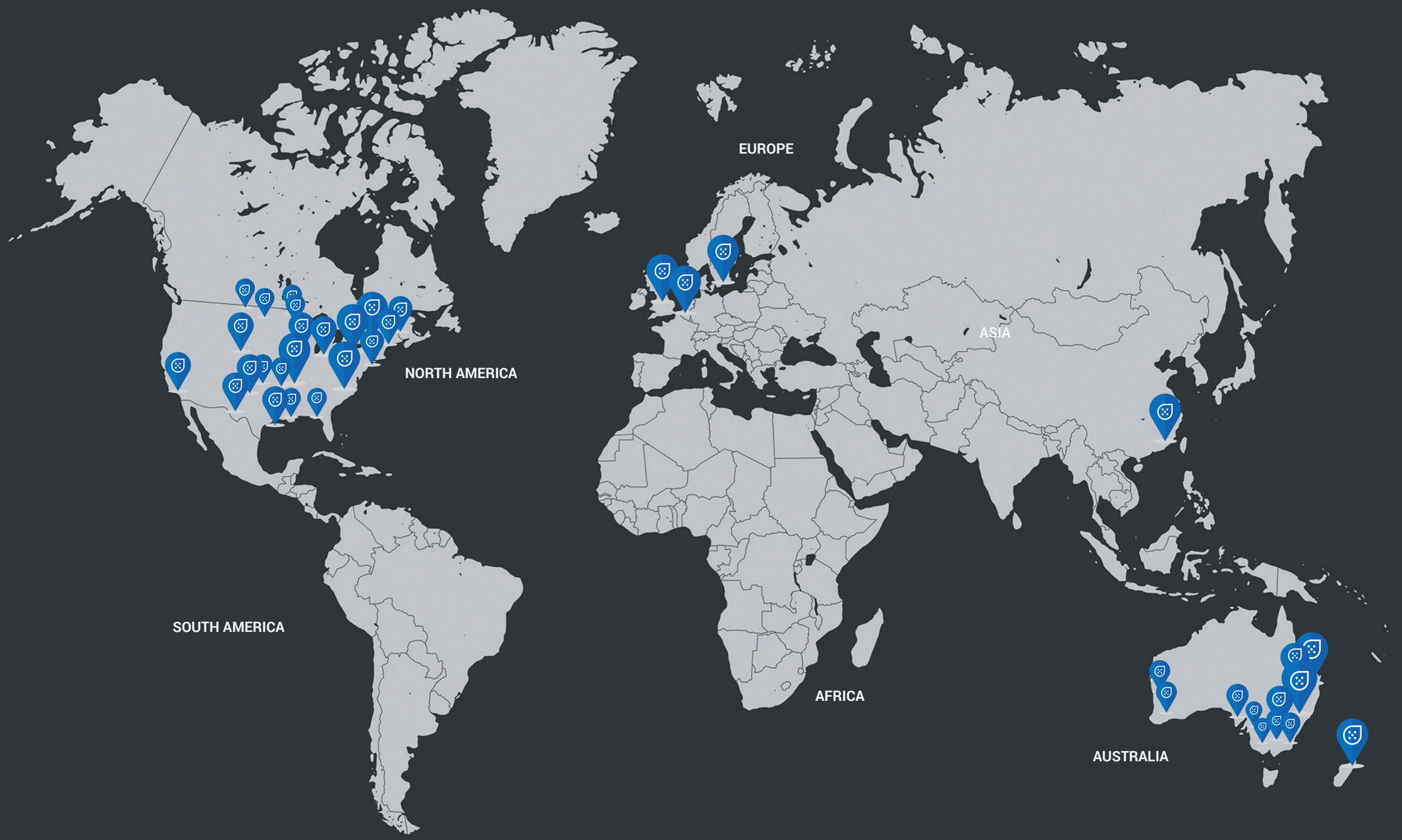
IMPEDIMED'S SOZO:

Smarter Medical Technology

Medical technology today continues to evolve at an unprecedented pace. New advances are coming to the forefront to improve the lives of patients through smart technology. Cancer survivors today should not have to worry about sequelae such as lymphoedema or malnutrition. Early detection of lymphoedema is critical and may well prevent this horrible disease, yet lymphoedema continues to debilitate millions of cancer survivors despite available options.

Patients living with heart failure should be able to easily and effectively monitor and manage their fluid status at home, yet millions end up back in the hospital shortly after they have been sent home. It is time to get smart and join the growing movement towards better, individualised healthcare. No patient should go untested who could benefit from our technology; **SOZO is the proactive solution**.

SOZO's Clinical and Commercial Presence



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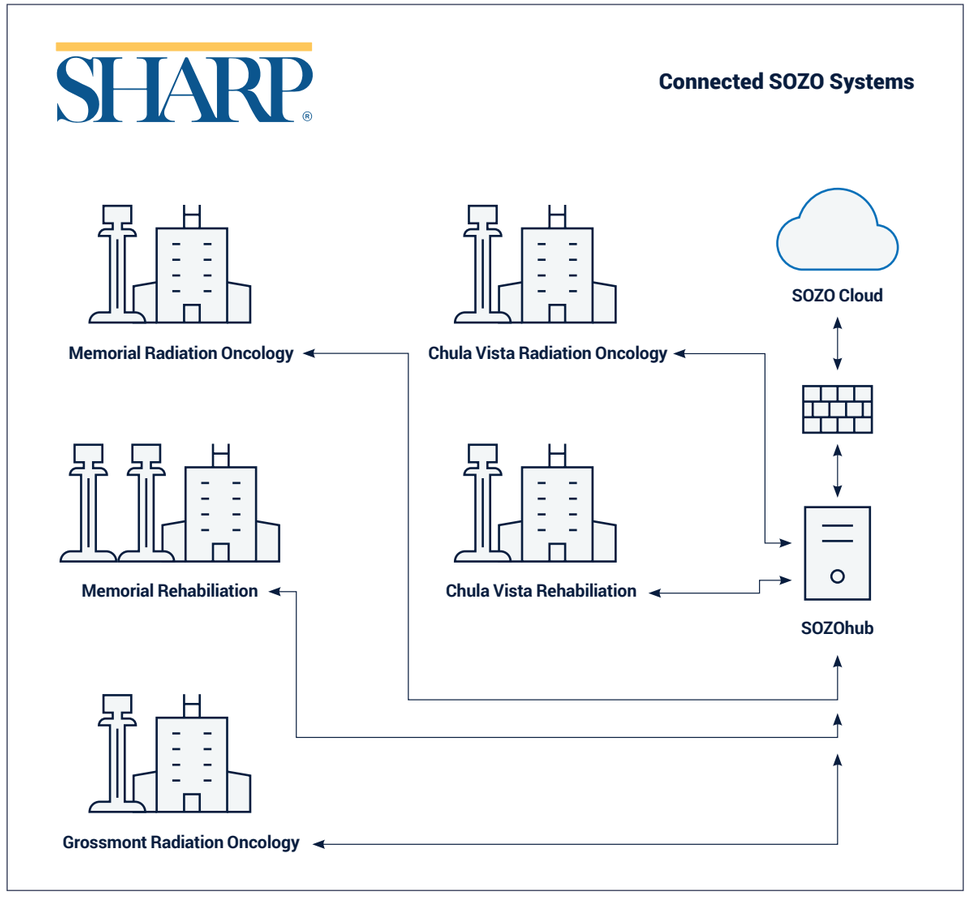
Customer Focus: Centre of Excellence

Establishing Best Practices for SOZO as an Integrated Health System

Evolution and Acceleration of SOZO

- 6 SOZO Digital Health Platforms installed across 3 hospitals
- Adding 9 SOZO Digital Health Platforms in the coming months
- Developing reporting and protocol adoption metrics
- Have agreed to integrate data into Electronic Health Records (EHRs) with physician notifications (flags)
- Have expanded testing beyond lymphoedema, >25% of all patient assessments are for Tissue Analysis

"As one of the first integrated health systems to use SOZO, Sharp is excited to bring this innovative technology for measuring tissue composition to cancer care across diverse care settings and to all types of cancer. The opportunity to demonstrate simultaneous improvements in patient experience, care management and a reduction in the cost of care is expected to go well beyond the early detection and management of lymphedema," stated Nancy Harris, VP Oncology Service Line at Sharp HealthCare.



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Activities Affecting Operating Results

Prevent Trial-Pre Specified Interim Analysis

Trial Design

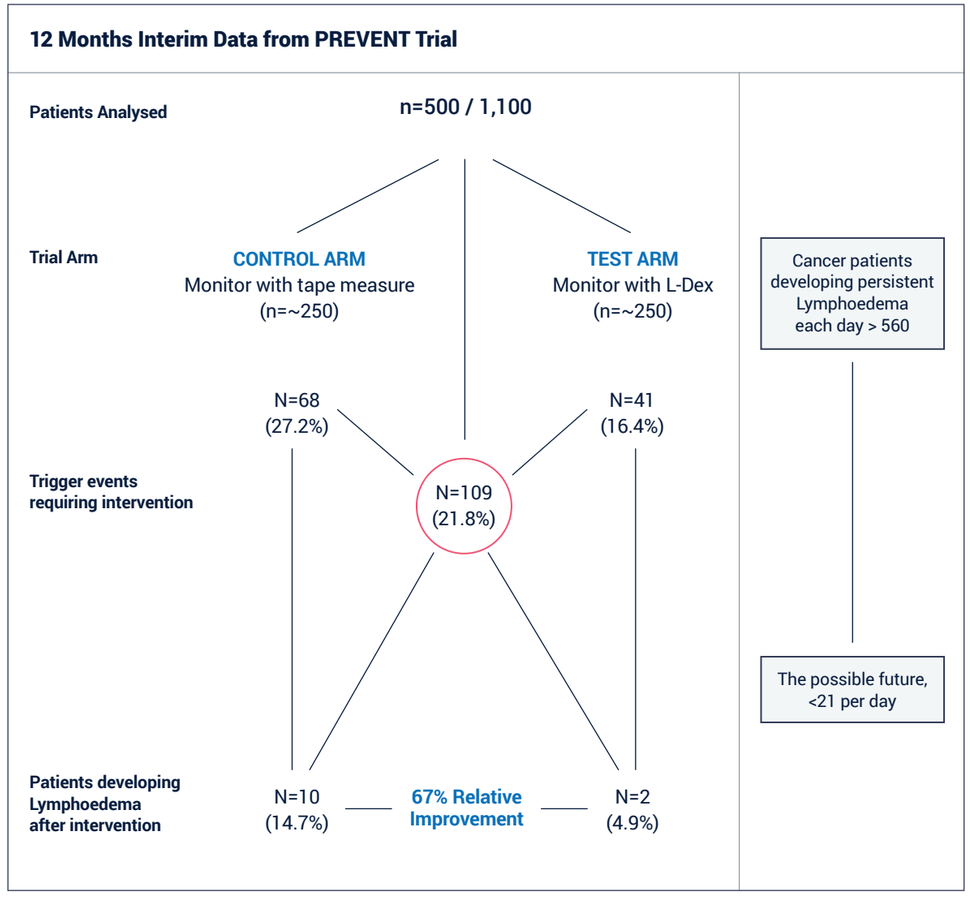
- Multi-centre, prospective, randomised controlled trial
  - 1,100 patients enrolled
  - Followed 3 years
- 10 medical centres across the US and Australia
  - Majority National Cancer Institute designated cancer centres
- To achieve a relative 20% improvement over the standard of care - a tape measure

Primary Aim

- To determine if subclinical detection of extracellular fluid accumulation via BIS and subsequent early intervention reduce the rate of progression relative to rates seen using standard tape measurements

Interim Data

- Early results demonstrate 67% relative improvement in progression to clinical grade Lymphoedema in the L-Dex arm compared to tape measure arm
- Reflecting what others are seeing in their clinical practice



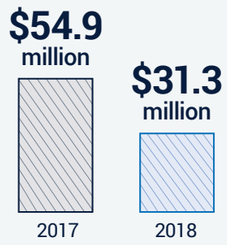
Significant Changes in the State of Affairs

Review of Financial Condition - Liquidity and Capital Resources

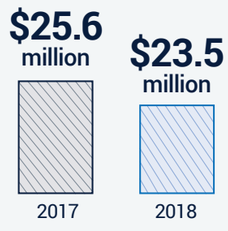
Cash and cash equivalents were $31.3 million at 30 June 2018, a decrease of 43% (2017: $54.9 million). Net cash used in operating activities for the period was $23.5 million, a decrease of $2.1 million (2017 $25.6 million). The decrease was due to the decreased activity in hardware related research and development as well as a decrease in salaries and benefits.

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 $0.769, compared to USD $0.740 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 $0.744 and USD $0.769, respectively.

Cash and Cash Equivalents
FOR THE YEAR ENDED 30 JUNE



Net Cash Used in Operating Activities
FOR THE YEAR ENDED 30 JUNE



Share Issues During the Year

Cash flow from financing activities generated was $0.3 million during the period (2017: $0.7 million). The following outlines the capital raised during the year ended 30 June 2018:

- $0.3 million, net of transaction costs, from July 2017 - June 2018 through the issue of 1,387,619 ordinary shares stemming from employees exercising options (2017: $0.7 million on 1,941,565 ordinary shares).

Issued capital increased to $219.7 million at 30 June 2018 (2016: $219.5 million). Total equity decreased to $36.0 million at 30 June 2018 (2016: $58.8 million) due to the Loss from Continuing Operations during the period.

Dynamics of the Business

The Parent and its wholly owned subsidiary, ImpediMed, Inc., are a global provider of medical technology to measure, monitor and manage tissue composition and fluid status using bioimpedance spectroscopy (BIS). These entities generate the BIS revenue for the Group through the sale of medical devices and the associated patient assessment consumables and subscription services.

Using BIS, ImpediMed's proprietary 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 medically meaningful information to better manage their health. BIS is able to provide highly accurate and informative metrics to routinely monitor and manage the health of patients.

U400: Predecessor technology

In the previous financial year, the Group focused on the oncology market through the sale of the L-Dex U400 device and the associated patient assessment consumables. Customers would order patient assessment consumables based on their individual needs and pricing for customers would vary depending upon the purchase price of the device and the number of patient assessment consumables being purchased. The U400 device was available for oncology 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.

Revenue was generated through the sale of devices and patient assessment consumables in both the oncology and tissue analysis (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.

As a predecessor BIS device, the U400 has provided the commercial proof-of-principle, clinical data and validation of the clinical benefits of monitoring cancer survivors with L-Dex. Through the sale and placement of the U400 device under a capital equipment/disposable business model, the Group had over 120 hospitals and clinics using L-Dex. These customers were testing only a small sub-set of patients due to reimbursement and operation issues.

SOZO: Next Generation BIS Digital Health Platform

During the current financial year, the Group began transitioning its focus to the SOZO Digital Health Platform. SOZO combines the technology of the Group's world renowned scientific and medical devices into a single digital health platform. The device is designed to easily integrate into current patient workflows, but it reduces testing time for patients down to as little as 30 seconds. The technology utilised under SOZO also allows for :

- **Robust reporting capabilities**
- **Protocol compliance capabilities**
- **The ability to expand the clinical utility of the platform through simple software upgrades and**
- **De-identified data collection for algorithm refinement**

Since rolling out SOZO, the Group has focused on converting current customers while adding new targeted customers through multi-year contracts under the subscription business model. Under SOZO, customers are able to integrate patient assessments in to electronic health records (EHR) and receive real-time reporting. These enhancements have led to hospitals and clinic customers testing a greater number of patients, substantial increases in revenue streams in converted hospitals and clinics, and substantial increases in the number of devices ordered in converted hospitals.

In addition to revenue recognised during the period, the Group ended the 2018 financial year with an additional $3.5 million in Contracted Revenue Pipeline (CRP), of which $1.3 million was considered Annual Recurring Revenue (ARR). In the fourth quarter of the current period, the Group signed $1.9 million in Total Contract Value (TCV), which was a record quarter for SOZO TCV since the initial rollout. TCV, CRP and ARR are unaudited, non-IFRS financial metrics that do not represent revenue in accordance with Australian Accounting Standards. Please see page 26 of the report for a glossary of terms used by ImpediMed under the subscription revenue model.

SOZO revenue is generated through the sale of devices and subscription services related to SOZO software across multiple indications and disease states. During the year, the Group also generated revenue through its predecessor medical devices and through the test and measurement segment in XiTRON Technologies, Inc.

Significant Events after the Balance Date

On 2 July 2018, the Group hired Shashi Tripathi as Chief Technology Officer.

On 23 August 2018, PREVENT trial results published with outstanding initial data. The authors from the PREVENT trial concluded that L-Dex is very sensitive in the assessment of sub-clinical lymphoedema in patients with a history of breast cancer. The paper also supports the recommendation for an aggressive measurement protocol consisting of an L-Dex assessment every three months, especially during the first 6 to 12 months post-surgery to facilitate identification of sub-clinical lymphoedema.

On 24 August 2018, BIS and L-Dex suggested as new standard of care for cancer survivors at risk of developing lymphoedema at the first educational seminar to be presented by the Principal Investigator of the PREVENT trial – "Removing the Mystery Around Bioimpedance – Moving Towards a New Standard of Care". The presentation was the first in a series of seminars to take place across the US and Australia and included top-line results from the interim analysis of the PREVENT trial.

Likely Developments & Expected Results

The following are areas of focus for the Group, as well as likely developments expected to impact the Group's financial results in the near-term:

Cancer Survivorship and L-Dex

Cancer and its treatments have a huge impact on the body that often affects the quality of life after the disease. There are 1.7 million new cases of cancer each year and over 15 million living cancer survivors in the US. An estimated one in three cancer survivors will develop lymphoedema as a result of their cancer treatment.

Lymphoedema is a leading post-surgical 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.

During the 2018 financial year, the Group achieved an FDA clearance in the US for the clinical assessment of lymphoedema using SOZO.

Prior to the availability of SOZO, there were already over 120 major hospitals and clinics using L-Dex through the Group's predecessor product, the U400. These customers have begun incorporating L-Dex in to their clinical work flow practices, but due to operational limitations of the predecessor product, most customers have only been testing a small sub-set of patients.

The Group expects to continue the US Commercial launch of L-Dex, with a focus on actively converting current customers and adding new targeted customers to the SOZO digital health platform. The Group expects to convert a majority of the existing L-Dex users over the next 12 months.

The expanded clinical utility of SOZO in the current guidelines and the recent clinical studies are all drivers of increased usage by both existing customers and new customers as they continue to expand testing to all patients. The Group will be focused on integrating L-Dex testing into clinical work flow practices and systems with the continued adoption of SOZO.

In addition, the Group continues to believe that ImpediMed is building a compelling case for private payors to initiate coverage in the 2019 financial year and expects that the introduction of private payors would further drive acceleration of the business.

The two main drivers of private payors are:

1. **Global Clinical Trial Data**

- ImpediMed's own 1,100 patient post approval PREVENT trial, led by 5 top 50 cancer centres and 3 National Comprehensive Cancer Network (NCCN) institutions, has now surpassed 1,100 patients enrolled
- Interim data of the PREVENT Trial demonstrates a 67% relative improvement in progression to clinical grade lymphoedema in the L-Dex arm compared to the tape measure arm
- 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

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. CHF is a global pandemic affecting at least 26 million people worldwide, with one in five people over the age of 40 expected to develop heart failure. The overall global economic cost of heart failure in 2012 was estimated at $108 billion per annum. Assessing and 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. SOZO can detect small changes in fluid levels that typically pre-empt a major cardiac event, which may be avoided by adjusting medication.

In December 2017, ImpediMed achieved an FDA 510(k) clearance for fluid monitoring for CHF.

A case study and abstract, which will be presented at the 23rd World Congress for Heart Disease, followed a patient with advanced heart failure, an implanted CardioMEMS device and multiple co-morbidities. BIS showed a greater than 88% correlation to changes in diastolic pulmonary artery pressure (CardioMEMS) in detecting fluid excess and impending congestion before hospitalisation. The abstract, titled *Utilisation of Bioimpedance Spectroscopy in lieu of Invasive Monitoring for Monitoring Fluid Overload*, will be published in the online journal of CARDIOLOGY following the meeting.

In addition, additional early results from studies show a strong correlation between BIS and echocardiographic parameters used to monitor for fluid overload in CHF patients.

The Group expects to continue to make progress towards commercialisation of the heart failure program in the US. The initial focus will be on gathering clinical data for marketing purposes. Data from the initial CHF studies mentioned above has led to initiation of a larger multi-centre study, which is currently open for enrolment. The study will aim to enrol approximately 200 patients and will monitor fluid measurements during hospitalisation for CHF, followed on by daily monitoring for 45 days after discharge (at-home).

The Group expects that this study will be a major catalyst for initiating a broad market release.

EXPECTED RESULTS AND NEWS FLOW

The Group expects to continue to generate a net loss in the 2019 financial year while it focuses on the US Commercialisation of L-Dex and the rollout of SOZO for heart failure. The Group expects to have the ability to fund these losses with current cash and cash equivalents.

SOZO and L-Dex

During the 2018 financial year, a pre-specified interim analysis of the 1,100 patient, multi-centre PREVENT trial was released. Early results related to this independent trial have demonstrated a 67% relative improvement in progression to clinical grade lymphoedema in the L-Dex arm compared to tape measure arm. The Group anticipates that additional data related to the PREVENT trial will be released during the 2019 financial year.

In addition, the Group expects to commence L-Dex educational seminars throughout the US in conjunction with the anticipated publication of new, independent abstracts and presentations of further clinical data supporting L-Dex.

The Group begins the 2019 financial year with a focus on the continued strong growth in the SOZO subscription based business and is very encouraged by the positive reception to SOZO to date, as well as by the early feedback received from clinicians using SOZO. The Group expects that a successful transition to the subscription business model will result in accelerated revenues through a high margin, high growth business model.

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. The Group achieved a 510(k) clearance for fluid monitoring for CHF in December 2017 of this financial year.

The Group expects that additional CHF studies utilising SOZO will be released during the 2019 financial year. The Group also anticipates the completion and results of a larger multi-centre marketing study in the coming year.

At the completion of additional studies for CHF, the Group anticipates it would immediately commence the commercial expansion of CHF in selected markets.

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 risks as 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 Management. 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 find additional sources of financing and/or 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.

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 and software 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 and Performance Rights

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:

	30 Aug 2018	30 Jun 2018
EIP Options	18,774,000	18,216,070
ESOP Options	14,009,968	14,009,968
Total Options	**32,783,968**	**32,226,038**
EIP Performance Rights	4,741,500	4,431,500
Total Performance Rights	**4,741,500**	**4,431,500**
	37,525,468	**36,657,538**

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, 1,387,619 ESOP options (2017:1,823,254) and nil EIP options (2017: 118,311) were exercised. In addition, 2,080,000 performance rights (2017: nil) vested under the EIP plan. Refer to Note 18 of the financial statements for further details of options exercised during the year.

During the financial year, 48,875 ESOP options (2017: nil) and 2,670,130 EIP options (2017: 1,926,689) were forfeited; 101,365 ESOP options (2017: 30,151) and nil EIP options (2017: nil) expired. In addition, 509,500 performance rights (2017: 541,000) under the EIP plan were forfeited during the period. 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 958,970 fully paid ordinary shares in ImpediMed Limited at a weighted average exercise price of $0.15 per share. The weighted average exercise price of all options exercised during the period was $0.19.

Indemnification and Insurance of Directors and Officers

The Group insured its Directors, Secretary and Executive Officers for the financial year ended 30 June 2018 and bound coverage for financial year 2019. 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 2018, ImpediMed and its subsidiaries had a total of 68 full and part-time employees (2017: 76 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.

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

Level	30 Jun 18		30 Jun 17	
	Female	**Total**	Female	**Total**
Board of Directors	**1**	**7**	2	7
Executives	**2**	**7**	2	7
Senior Managers	**4**	**14**	9	20

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/

Chapter 3

REMUNERATION REPORT

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:

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SECTION 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 advancing the state of the art in BIS technology with our new SOZO® product platform and has expanded into additional disease indications in 2018. The transformation to a high growth medical technology company makes it critical to be able to retain and attract specialised talents, to now include highly sought after information technology skilled talent, necessary to achieve the important regulatory, clinical and commercial milestones on which the success of our strategy depends.

1.1. New Remuneration Components Implemented in the 2018 Financial Year

Performance-Based Remuneration

The remuneration arrangements for the 2018 financial year remain broadly consistent with the previous period. A key update to the remuneration structure of the Group is the increased weighting of performance-based remuneration tied to long-term incentive (LTI) hurdles in the at-risk remuneration mix for executive KMP. This update increases the portion of KMP remuneration tied to performance hurdles (from 30% to 40%) that support the company's long-term business strategy and ultimately create shareholder value. The use of share-based remuneration is essential to retain and motivate key talent.

Comparator Groups

During the 2017 financial year, the Remuneration Committee conducted a comprehensive review of the Group's peer groups 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 have been introduced for members of the Audit and Risk Management Committee and the Remuneration Committee to provide a better level of remuneration for committee responsibilities and time commitments, typical to Australia and US practices. Historically, only the Chair of a Committee received any additional board remuneration.

1.2. Key Developments Expected for the 2019 Financial Year

Performance-Based Remuneration

In the 2019 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 2019 financial year. The use of share-based remuneration is essential to retain and motivate key talent.

Board Remuneration

The remuneration structure among US life sciences and medical technology companies typically includes a significantly weighted equity component for board members. With a large majority of the ImpediMed Board being US based, the Board is evaluating the use of equity grants for NEDs in future years in order to retain and attract NEDs that have specific backgrounds (e.g. regulatory regime, reimbursement environment) in the highly competitive US healthcare industry.

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SECTION 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.

Director	
Scott Ward	Chairman
Cherrell Hirst AO	Former Chairman (Retired November 2017)
Judith Downes	Non-executive Director
Gary Goetzke	Non-executive Director
Robert Graham	Non-executive Director (Appointed November 2017)
Amit Patel	Non-executive Director
Donald Williams	Non-executive Director
Richard Carreon	Managing Director and Chief Executive Officer
Executives (i)	
Morten Vigeland	Chief Financial Officer
Shashi Tripathi	Chief Technology Officer (Hired July 2018) (i)
David Adams	Senior Vice President Ventures, Licensing and Corporate Development
Catherine Kingsford	Senior Vice President Medical Affairs
Dennis Schlaht	Senior Vice President R&D and Technology

(i) Shashi Tripathi was hired in July 2018 and will be considered KMP in the 2019 financial year.
Frank Vicini, MD, Chief Medical Officer, is not considered part of the KMP for financial statement purposes.

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

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SECTION 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 and 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:

- **Donald Williams (Chair since November 2017)**
- **Scott Ward (Chair through November 2017)**
- **Gary Goetzke**
- **Robert Graham**

The primary responsibilities of the Remuneration Committee are to:

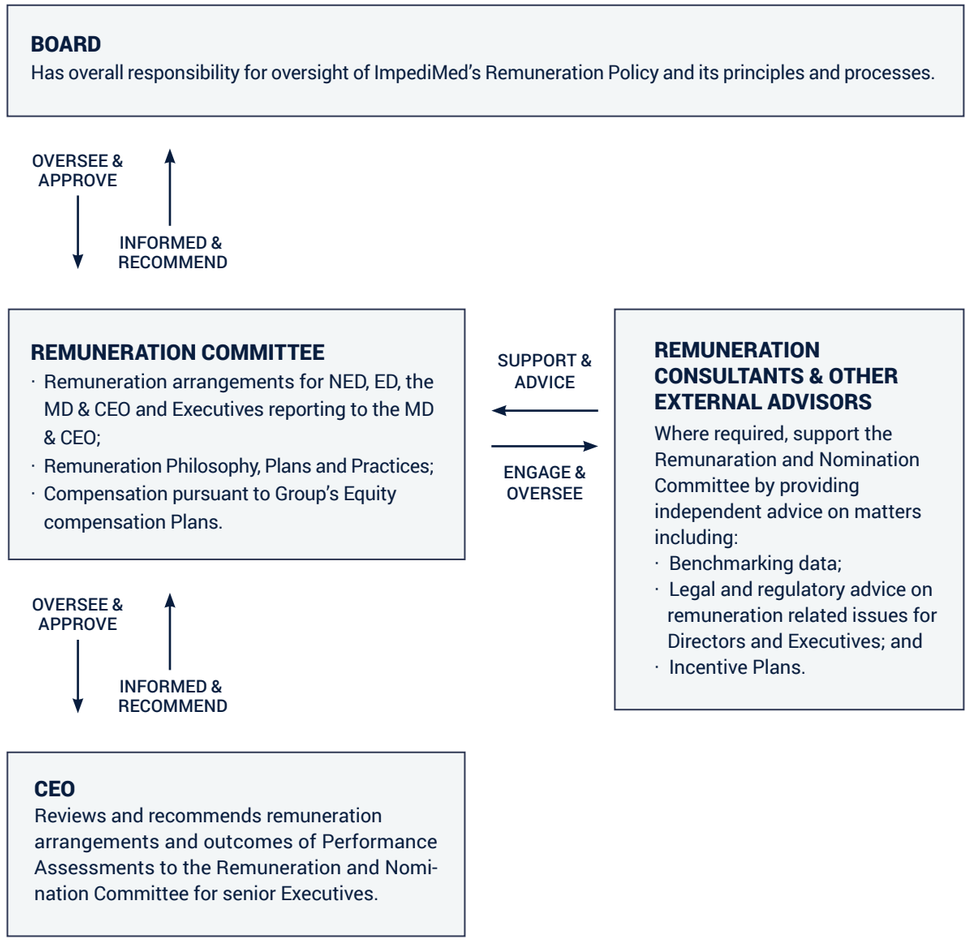
- **Recommend to the Board of Directors the amount and form of compensation to be paid to the CEO and the at risk component based on his performance**
- **Review the CEO's recommendations of the amount and form of compensation to be paid to the executives reporting to the CEO and the at risk component 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**

3.2. Services from Remuneration Consultants

In December 2016, the Remuneration Committee engaged Willis Towers Watson (WTW) to provide remuneration consultation. The WTW consulting team to ImpediMed includes consultants based in the same geographies where concentrations of ImpediMed employees reside including Australia and the US. WTW was engaged to:

- **Review the Group's remuneration philosophy**
- **Recommend a peer 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 2018 Remuneration Report**

The engagement of WTW was undertaken directly by the Board, independent of Management, and is based on an agreed set of protocols governing the engagement developed by WTW and provided to the Board. The work undertaken by WTW in the 2018 financial year did not constitute a remuneration recommendation for the purposes of the Corporations Act 2001.



SECTION 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 $	2018	2017	2016	2015	2014
Net loss attributable to equity holders of the parent entity (000's)	($27,174)	($27,571)	($25,980)	($14,797)	($7,935)
Dividends paid	nil	nil	nil	nil	nil
Share price at 30 June	$0.395	$0.75	$0.95	$0.87	$0.19
Change in share price	(47)%	(21)%	9%	358%	111%
Market Cap (millions)	$149.70	$281.64	$352.50	$253.70	$45.40

SECTION 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 peers and variable compensation above the median for exceptional performance. In order to determine executive compensation, the Remuneration Committee uses benchmarking data from a peer group of comparable companies and reviews the pay plans and practices of other relevant companies. When considering companies for inclusion in ImpediMed's peer 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 peer 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 peer 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.**

SECTION 6

Remuneration of Non-Executive Directors (NEDs)

The Remuneration Committee considers the level of remuneration required to attract and retain highly qualified 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, responsibilities and accountability. This remuneration was reviewed in 2018 relative to similarly-sized ASX-listed companies in the healthcare sector, as well as medical technology companies in the US, given NED 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 2018 was $586,931 (2017: $457,419). The chairs of the Remuneration and Audit & Risk Management Committees receive an additional fee and for the 2018 financial year, fees have been introduced for members of the Audit and Risk Management Committee and the Remuneration Committee.

A large majority of the Board members are based in the US where the healthcare industry is highly competitive and typically structures remuneration with heavy weighting on equity. Consideration is being given to providing a portion of NED remuneration in the form of equity with the aim of ensuring that NED remuneration is attractive in both Australia and the US. The Group's current NED remuneration is positioned around the lower quartile of the US peer group. The lack of equity results in a lower competitive positioning.

An increase in NED remuneration would be considered in 2019 as the first increase to base remuneration in 6 years. It is anticipated that the increase would be in the form of an equity grant which would assist the company in managing its available cash resources.

Table 10.1 shows individual Director fees paid during the year ended 30 June 2018.

Shareholding 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.

Please see section 7.4 for the details on minimum shareholding requirements for NEDs.

Table 10.4 shows the movement in ordinary shareholdings of Directors during the year ended 30 June 2017. As of the date of this report, Gary Goetzke (appointed August 2016), Donald Williams (appointed March 2017), Amit Patel (appointed March 2017) and Robert Graham (appointed November 2017) have not yet meet those requirements but are all within five years of appointment to the Board.

SECTION 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 peer groups of comparable companies and reviews the pay plans and practices of other relevant companies.

In the financial year ended 30 June 2018, 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 (40%): • Total Revenue • EBITDA Non-financial KPIs (60%): • Corporate goals, including: - Medical evidence milestones - The key new product development milestone - Regulatory Clearance milestone	• 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 (60%): Options vest subject to the participant remaining in employment with ImpediMed over a four (4) year period. • Performance-based (40%): Performance Rights vest subject to achieving two (2) equally weighted hurdles over a three (3) year period: - CHF Pivotal trial or enrolment in CHF Registry milestone - Revenue Growth milestone	

7.1. Fixed Remuneration

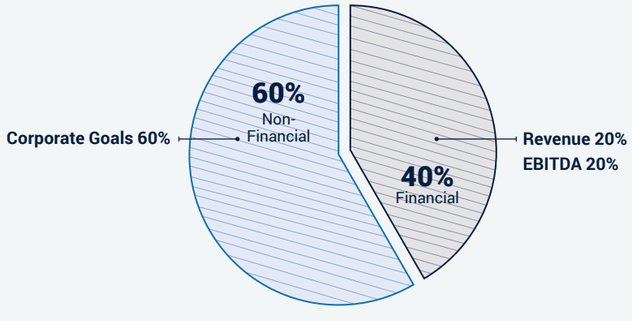
Fixed remuneration consists of base salary, superannuation and other entitlement benefits that vary by state or country. Fixed remuneration is not "at risk" as it does not vary with the performance of the Group.

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 peer group of comparable companies. 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 (STI)

The STI plan is a cash based incentive which is awarded based on annual performance. In the financial year ended 30 June 2018, 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 2018 are outlined below:

Participants	KMP and other selected employees
Award Type	Cash
Opportunity	The value of the target STI opportunity for FY18 has been expressed as a percentage of Total Fixed Remuneration (TFR) in the table below: **KMP** — **Target STI** MD & CEO — 70% CFO — 40% SVP Ventures, Licensing and Corporate Development — 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.
Performance Conditions	For the financial year ended 30 June 2018, the KPIs for KMP are included in the diagram below:  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 2018, 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.	20%	Total Revenue decreased 17% to $4.8M (2017: $5.8M). The revenue component was measured based on the functional currency of each entity for the STI. **KPI Assessment:** Not 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 objectives, while controlling EBITDA based upon a set Operating Plan, is essential for short to medium-term success of the Group.	20%	The Group EBITDA was ($27.3M). The Group made significant progress on key objectives within Operating Plan EBITDA. The EBITDA component was measured based on the functional currency of each entity for the STI. **KPI Assessment:** Between threshold and at target performance achieved.
Corporate Strategic Goals: • Medical evidence milestones • The key new product development milestone • Regulatory Clearance milestone	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; (b) enhanced product design for increased sales and utilisation and (c) expansion in CHF and other indications which will contribute to future revenue growth and shareholder value.	60%	Enrolment of targeted 1,100 patients in PREVENT trial completed and interim results released; acceptance of heart failure study abstract for presentation. Enhancement of SOZO completed enabling transition to subscription model. 510(k) clearance for bilateral Lymphodema assessment with SOZO, CHF montoring with SOZO and SOZO with L-Dex for unilateral Lymphodema achieved. **KPI Assessment:** Between at target and maximum performance achieved for the various objectives detailed above.

7.2.2. STI Outcomes

US-based Executives are paid in USD. Listed below are their USD payouts, as well as the AUD equivalents.

KMP	Target STI opportunity USD (i)	STI outcome USD	Target STI opportunity AUD (ii)	STI outcome AUD	% Achieved (i)
Richard Carreon MD & CEO	$350,907	$394,419	$452,684	$508,816	112.4%
Morten Vigeland CFO	$136,830	$129,852	$176,516	$167,514	94.9%
Dave Adams SVP Ventures, Licensing and Corp Dev	$122,892	$116,625	$158,536	$150,450	94.9%
Catherine Kingsford SVP Medical Affairs	N/A	N/A	$133,120	$126,331	94.9%
Dennis Schlaht SVP, R&D and Technology	$115,730	$109,828	$149,296	$141,683	94.9%

(i) CEO outcome based on 200% maximum performance, remaining KMP based on 150% maximum performance.
(ii) US-based executives are paid in USD. The Target STI opportunity displayed in the above table is calculated based on the average exchange rate for the year.

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 U.S. and Australian remuneration practices, the Options granted during the period continue to vest on a time-based schedule (as is common in the U.S.) but a heavier 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 60% Options and 40% 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 Hurdles. In fiscal year 2019, a greater portion of LTI grants will be performance based with a likely mix of 50% Options and 50% Performance Rights.

Opportunity	The value of the LTI awards has been expressed as a percentage of TFR in the table below: **KMP** — **LTI Opportunity** MD & CEO — 262% CFO — 110% SVP Ventures, Licensing and Corporate Development — 108% SVP Medical Affairs — 109% SVP R&D and Technology — 109% 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 2018: • 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 Performance Rights awarded in the year ended 30 June 2018, the Board assigned performance hurdles to increase the focus on supporting the Group's long-term business strategy and shareholder value. The performance hurdles include a minimum of three strategic measures and require the achievement of key milestone objectives. Each Performance Right awarded in FY18 is subject to achieving LTI Hurdles related to the following objectives: - CHF Pivotal trial or enrolment in CHF Registry milestone - Revenue Growth milestone These performance conditions were selected because their achievement in the defined time frame is critical to the company's success and 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.
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	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 November 2017.

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 that 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 after tax.

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.

As of the date of this report, Gary Goetzke (appointed August 2016), Donald Williams (appointed March 2017), Amit Patel (appointed March 2017) and Robert Graham (appointed November 2017) have not yet meet those requirements but are all within five years of appointment to the Board.

SECTION 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
S Tripathi	9 months	9 months	Unvested awards forfeited
D Adams	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.

SECTION 9

Managing Director & CEO Remuneration

Mr Carreon's fixed remuneration at 30 June 2018 was USD $501,295 (2017: USD $472,920) plus non-monetary health benefits. For the 2018 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 2018 financial year, the Board issued 1,553,000 Options (2017: 872,000) to Mr Carreon at an exercise price of $0.81 per option under the EIP. During the 2018 financial year, the Board issued 1,262,000 Performance Rights (2017: 470,000) to Mr Carreon under the EIP.

The Options and Performance Rights were approved by shareholders at the 2017 AGM and subsequently granted on 15 November 2017.

The Options consisted of a mix of incentive stock options (ISO) and 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 $0.815. 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 relevant performance hurdles 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.

SECTION 10

Statutory Tables

10.1. Remuneration of KMP for the Years Ended 30 June 2018

30 June 18	Short-Term Benefits			Post-Employment	Long-Term Benefits		Share-Based Payments		Performance Related		30 June 18
$ AUD	Salaries & Fees	STI Awards	Non-Monetary	Super-Annuation	Long Service Leave		LTI Awards	Total	Performance %	LTI %	$ AUD
Directors											**Directors**
S Ward (i) (ii)	129,313	-	-	-	-		-	129,313	-	-	S Ward (i) (ii)
C Hirst (iii)	52,500	-	-	4,987	-		-	57,487	-	-	C Hirst (iii)
J Downes (viii)	75,000	-	-	7,125	-		-	82,125	-	-	J Downes (viii)
R Graham (iv)	42,013	-	-	3,991	-		-	46,004	-	-	R Graham (iv)
G Goetzke (i)	86,968	-	-	-	-		-	86,968	-	-	G Goetzke (i)
A Patel (i)	86,968	-	-	-	-		-	86,968	-	-	A Patel (i)
D Williams (i)	98,066	-	-	-	-		-	98,066	-	-	D Williams (i)
R Carreon (i) (v) (vi)	646,690	508,816	18,340	21,961	-		1,199,967	2,395,774	21%	50%	R Carreon (i) (v) (vi)
Executives											**Executives**
M Vigeland (i) (v) (vi)	441,290	167,514	21,225	16,181	-		392,914	1,039,124	16%	38%	M Vigeland (i) (v) (vi)
D Adams (i) (v) (vi) (vii)	396,339	150,450	23,717	15,854	-		322,655	909,015	17%	35%	D Adams (i) (v) (vi) (vii)
C Kingsford (vi) (xv)	332,800	126,331	-	42,706	6,908		347,700	856,445	15%	41%	C Kingsford (vi) (xv)
D Schlaht (i) (v) (vi)	373,242	141,683	23,366	9,953	-		310,448	858,692	16%	36%	D Schlaht (i) (v) (vi)
	2,761,189	**1,094,794**	**86,648**	**122,758**	**6,908**		**2,573,684**	**6,645,981**			

The figures represent the amounts expensed in the relevant reporting period.

(i) 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.Share-based compensation includes the expense during the financial year of all awards regardless of the financial year awarded.
(ii) S Ward was appointed Chairman of the Board in November 2017.
(iii) C Hirst AO retired from the Board in November 2017.
(iv) R Graham was appointed to the Board in November 2017.
(v) 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.
(vi) 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 exercisability 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 share price from the close of business on the day prior to the date of grant.
(vii) D Adams retired from the Board and was appointed to an executive role in August 2016.
(viii) J Downes was appointed to the Board in April 2017.
(ix) E Gaines resigned from the Board in February 2017.
(x) M Panaccio resigned from the Board in August 2016.
(xi) A Patel was appointed to the Board in March 2017.
(xii) D Williams was appointed to the Board in March 2017.
(xiii) J Cosentino left the Group in January 2017.
(xiv) A Holder left the Group in July 2017 and was not considered KMP during the 2018 financial year.
(xv) 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.

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

CORPORATE INFORMATION

DIRECTORS' REPORT

REMUNERATION REPORT

FINANCIAL STATEMENTS

SECTION 10

Statutory Tables

10.1. Remuneration of KMP for the Years Ended 30 June 2017

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

The figures represent the amounts expensed in the relevant reporting period.

(i) 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.Share-based compensation includes the expense during the financial year of all awards regardless of the financial year awarded.
(ii) S Ward was appointed Chairman of the Board in November 2017.
(iii) C Hirst AO retired from the Board in November 2017.
(iv) R Graham was appointed to the Board in November 2017.
(v) 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.
(vi) 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 exercisability 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 share price from the close of business on the day prior to the date of grant.
(vii) D Adams retired from the Board and was appointed to an executive role in August 2016.
(viii) J Downes was appointed to the Board in April 2017.
(ix) E Gaines resigned from the Board in February 2017.
(x) M Panaccio resigned from the Board in August 2016.
(xi) A Patel was appointed to the Board in March 2017.
(xii) D Williams was appointed to the Board in March 2017.
(xiii) J Cosentino left the Group in January 2017.
(xiv) A Holder left the Group in July 2017 and was not considered KMP during the 2018 financial year.
(xv) 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.

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

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

(A) OPTIONS

Granted		Terms and Conditions of each Grant					Vested	Fair Value	Granted
30 June 2018	Numbers	Grant Date	Value per Option at Grant date	Exercise Price per Option ($)		Expiry Date for Option Vested	Number of Options this Year (#)	Of Options Granted During Year ($)	30 June 2018
Executives									**Executives**
R Carreon	-	04-Dec-14	0.3781	0.6900		04-Dec-21	512,000	-	R Carreon
R Carreon	-	03-Nov-15	0.5906	1.0000		01-Jul-22	128,125	-	R Carreon
R Carreon	-	14-Nov-16	0.9458	1.4600		14-Nov-23	218,000	-	R Carreon
R Carreon	1,553,000	15-Nov-17	0,4963	0.8150		15-Nov-24	-	770,719	R Carreon
M Vigeland	-	04-Dec-14	0.3781	0.6900		04-Dec-21	247,000	-	M Vigeland
M Vigeland	-	01-Jul-15	0.5240	0.8700		01-Jul-22	59,375	-	M Vigeland
M Vigeland	-	25-Oct-16	1.0269	1.6600		25-Oct-23	75,750	-	M Vigeland
M Vigeland	530,000	15-Nov-17	0,4963	0.8150		15-Nov-24	-	263,027	M Vigeland
D Adams	-	14-Nov-16	0,9459	1.4600		14-Nov-23	83,750	-	D Adams
D Adams	476,000	15-Nov-17	0.4963	0.8150		15-Nov-24	-	236,228	D Adams
C Kingsford	-	01-Jul-15	0.5240	0.8700		01-Jul-22	46,876	-	C Kingsford
C Kingsford	-	25 -Oct-16	1.0269	1.6600		25-Oct-23	65,000	-	C Kingsford
C Kingsford	410,000	15-Nov-17	0.4963	0.8150		15-Nov-24	-	206,777	C Kingsford
D Schlaht	-	04-Dec-14	0.3781	0.6900		04-Dec-21	163,750	-	D Schlaht
D Schlaht	-	01-Jul-15	0.5240	0.8700		01-Jul-22	34,375	-	D Schlaht
D Schlaht	-	25-Oct-16	1.0269	1.6600		25-Oct-23	64,500	-	D Schlaht
D Schlaht	448,000	15-Nov-17	0.4963	0.8150		15-Nov-24	-	222,332	D Schlaht
	3,417,000						**1,698,501**	**1,699,083**	

(B) PERFORMANCE RIGHTS

Granted		Terms and Conditions for each Grant				Vested	Lapsed	Granted
30 June 2018	Number	Grant Date	Value per Perf Right at Grant Date ($)		Expiry Date for Perf Right vested during Year	Number of Perf Rights (#)	Of Perf Rights Granted During Year ($)	30 June 2018
Executives								**Executives**
R Carreon	-	04-Dec-2014	0.6900		04-Dec-2017	912,000	-	R Carreon
R Carreon	1,262,000	15-Nov-2017	0.8150		15-Nov-2020	-	-	R Carreon
M Vigeland	-	04-Dec-2014	0.6900		04-Dec-2017	432,000	-	M Vigeland
M Vigeland	322,500	15-Nov-2017	0.8150		15-Nov-2020	-	-	M Vigeland
D Adams	289,500	15-Nov-2017	0.8150		15-Nov-2020	-	-	D Adams
A Holder	-	01-Jul-2015	0.8700		01-Jul-2018	-	(150,000)	A Holder
A Holder	-	08-Dec-2015	1.0200		08-Dec-2018	-	(100,000)	A Holder
A Holder	-	25-Oct-2016	1.6600		25-Oct-2019	-	(109,500)	A Holder
C Kingsford	-	04-Dec-2014	0.6900		04-Dec-2017	360,000	-	C Kingsford
C Kingsford	249,000	15-Nov-2017	0.8150		15-Nov-2020	-	-	C Kingsford
D Schlaht	-	04-Dec-2014	0.6900		04-Dec-2017	240,000	-	D Schlaht
D Schlaht	273,000	15-Nov-2017	0.8150		15-Nov-2020	-	-	D Schlaht
	2,396,000					**1,944,000**	**(359,500)**	

10.3. Remuneration Awards: Awards Held by Key Management Personnel

(A) OPTIONS

30 June 2018	Held at the Start of the Period	Granted During Period	Exercised During Period	Options of Other Changes	Held at the End of the Period	Options Vested and Exercisable
	No.	No.	No.	No.	No.	No.
Directors						
R Carreon	13,020,827	1,553,000	(139,367)	-	14,434,460	11,779,273
Executives						
M Vigeland	2,786,083	530,000	(166,667)	(25,000)	3,124,416	2,174,395
D Adams	335,000	476,000	-	-	811, 000	83, 750
A Holder	771,000	-	-	(771,000)	-	-
C Kingsford	2,405,084	410,000	(316,468)	-	2,498,616	1,734,554
D Schlaht	2,213,084	448,000	(336,468)	-	2,324,616	1,561,137
	21,531,078	**3,417,000**	**(958,970)**	**(796,000)**	**23,193,108**	**17,333,109**

(i) Options from other changes include expired or lapsed options.

(B) PERFORMANCE RIGHTS

30 June 2018	Held at the Start of the Period	Granted During Period	Vested During Period	Perf Rights from Other Changes	Held at the End of the Period
	No.	No.	No.	No.	No.
Directors					
R Carreon	1,382,000	1,262,000	(912,000)	-	1,732,000
Executives					
M Vigeland	555,000	322,500	(432,000)	-	445,500
D Adams	165,000	289,500	-	-	454,500
A Holder	359,000	-	-	(359,500)	-
C Kingsford	465,000	249,000	(360,000)	-	354,000
D Schlaht	343,500	273,000	(240,000)	-	376,500
	3,269,500	**2,396,000**	**(1,944,000)**	**(359,500)**	**3,362,500**

(i) Performance rights from other changes include expired or lapsed options.

10.4. Shareholdings of Key Management Personnel

(A) SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

30 June 2018	Held at the Start of Period	Granted as Remuneration	On exercise of Options & Vesting of Performance Rights	Net change Other (i)	Held at the End of Period	Held Nominally
	No.	No.	No.	No.	No.	No.
Director						
S Ward	225,000	-	-	-	225,000	225,000
C Hirst AO	1,216,924	-	-	(1,216,924)	-	-
J Downes	82,600	-	-	-	82,600	82,600
R Graham	-	-	-	-	-	-
G Goetzke	-	-	-	14,100	14,100	14,100
A Patel	-	-	-	-	-	-
D Williams	-	-	-	30,000	30,000	30,000
R Carreon	452,858	-	1,051,367	(635,000)	869,225	869,225
Executives						
M Vigeland	437,691	-	598,667	(397,715)	573,667	638,643
D Adams	159,000	-	-	-	159,000	159,000
A Holder	68,000	-	-	(68,000)	-	-
C Kingsford	308,173	-	676,468	(360,000)	507,717	624,641
D Schlaht	431,723	-	576,468	(373,334)	634,857	634,857
	3,381,969	**-**	**2,902,970**	**(3,006,873)**	**3,096,166**	**3,278,066**

(i) The shareholding movements during the period for G Goetzke and D Williams relate to shares purchased through the open market and not through compensation. The shareholdings movements during the period for C Hirst AO and A Holder relate to their changes in classification as KMP and not necessarily to the sale of shares. All other negative shareholding movements during the period related to covering immediate US tax liabilities arising from the exercise of options or vesting of performance rights.

(B) SHARE ISSUED ON EXERCISE OF REMUNERATION OPTIONS

During the year ended 30 June 2018, 1,387,619 shares were issued (2017: 1,941,565) on the exercise of remuneration options and 2,080,000 shares were issued (2017: nil) on the vesting of performance rights, including the following issuance for KMP in place at the reporting date:

Exercise of Options	2018 Options Exercised	Exercise Price Weighted Average Exercise price $	Share Price Weighted Average on Exercise Date ($)	Total Value on Exercise Dates ($)
Directors				
R Carreon	139,367	$ 0.1100	0.4800	66,896
M Vigeland	166,667	$ 0.1672	0.6640	110,667
C Kingsford	316,468	$ 0.1508	0.4926	155,905
D Schlaht	336,468	$ 0.1693	0.5109	171,888
	958,970			**505,356**

Vesting of Perfomance Rights	2018 Performance Rights Vested	Exercise Price Weighted Average Exercise Price ($)	Share Price Weighted Average on Exercise Date ($)	Total Value on Exercise Dates ($)
Directors				
R Carreon	912,000	-	0.9000	820,800
M Vigeland	432,000	-	0.9000	388,800
C Kingsford	360,000	-	0.9000	324,000
D Schlaht	240,000	-	0.9000	216,000
	1,944,000			**1,749,600**

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

For the year ended 30 June 2018, no transactions with Directors or KMP occurred that would be considered related party transactions.

SECTION 11

Executive Comparator Group List

The following companies were included in the 2018 financial year Peer Groups:

ImpediMed - Executive Remuneration FY2018

Peer Companies
Anika Therapeutics, Inc.
Antares Pharma, Inc.
AtriCure, Inc.*
AxoGen, Inc.
Cerus Corporation*
ConforMIS, Inc.
Corindus Vascular Robotics, Inc.
Digirad Corporation*
Entellus Medical, Inc.
GenMark Diagnostics, Inc.*
IRadimed Corporation
LeMaitre Vascular, Inc.
Obalon Therapeutics, Inc.
Rockwell Medical, Inc.
STAAR Surgical Company*
Surmodics, Inc.*
Tandem Diabetes Care, Inc.
TransEnterix, Inc.
ViewRay, Inc.

ImpediMed - Non-Executive Remuneration FY2018

Peer Companies
Nanosonics Limited
Mesoblast Limited
Medical Developments International Limited
Starpharma Holdings Limited
Clinuvel Pharmaceuticals Limited
Viralytics Limited
SomnoMed Limited
Bionomics Limited
pSivida Corp.
OBJ Limited

* Denotes Peer Companies carried over from the prior year.

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:

	Board Meetings		Remuneration Committee		Audit & Risk Management Comittee	
Directors (i)	# Meetings Eligible to Attend	# Meetings Attended	# Meetings Eligible to Attend	# Meetings Attended		
Total	8	8	5	5	5	5
S Ward	7	7	5	5	-	-
C Hirst AO (ii)	4	4	3	3	-	-
J Downes	8	8	-	-	5	5
R Graham (iii)	4	4	2	2	-	-
G Goetzke	8	8	5	4	-	-
A Patel	7	7	-	-	5	4
D Williams	8	8	2	2	5	5
R Carreon	8	8	-	-	-	-

(i) A Directors' attendance at a committee meeting is only included if the Director is a member of the committee.
(ii) C Hirst AO retired from the Board in November 2017.
(iii) R Graham was appointed to the Board in November 2017.

Committee Membership

	Audit & Risk Management Committee	Remuneration Committee	Nomination Committee
S Ward	-	Member	Chair
J Downes	Chair	-	Member
G Goetzke	-	Member	Member
R Graham	-	Member	Member
A Patel	Member	-	Member
D Williams	Member	Chair	Member
R Carreon (ii)	-	-	-

(i) 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 71 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.

Scott Ward
Chairman

Judith Downes
Director

30 August 2018

Ernst & Young
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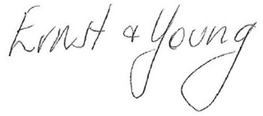
Auditor's Independence Declaration to the Directors of ImpediMed Limited

As lead auditor for the audit of ImpediMed Limited for the financial year ended 30 June 2018, 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
30 August 2018

Chapter 4

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $000	2017 $000
Continuing Operations			
Sales of Goods and Subscription Services	5	**4,554**	5,510
Rendering of Services		**243**	256
Finance Income	5	**428**	367
Revenue		**5,225**	6,133
Cost of Goods Sold		**(1,596)**	(1,489)
Gross Profit		**3,629**	4,644
Other income and Finance Costs	6	**3,078**	2,882
Salaries and Benefits	7	**(16,823)**	(17,367)
Research and Development	7	**(2,979)**	(5,336)
Administrative and Governance	7	**(3,351)**	(2,589)
Consultants and Professional Fees	7	**(3,192)**	(2,951)
Depreciation and Amortisation	7	**(444)**	(255)
Advertising and Promotion		**(930)**	(1,195)
Rent and Property Expenses		**(769)**	(499)
Travel Expenses		**(1,552)**	(1,726)
Share-based Payments	18	**(3,255)**	(2,585)
IT and Other Expenses		**(544)**	(554)
Loss from Continuing Operations before Income Tax		(27,132)	(27,531)
Income Tax	19	**(42)**	(40)
Loss from Continuing Operations after Income Tax		**(27,174)**	(27,571)
Net Loss for the Period		**(27,174)**	(27,571)
Other Comprehensive Income or Loss			
Items that may be reclassified to profit or loss:			
Foreign Currency Translations		**871**	(2,157)
Other Comprehensive Gain for the Period, Net of Tax		**871**	(2,157)
Total Comprehensive Loss for the Period		**(26,303)**	(29,728)
		$	$
Basic and Diluted Loss Per Share	1	**(0.07)**	(0.07)

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

Consolidated Balance Sheet

AS AT 30 JUNE 2018

	Notes	As at 30 June 2018 $000	As at 30 June 2017 $000
Assets			
Current Assets			
Cash and Cash Equivalents	8	**31,345**	54,884
Trade and Other Receivables	9	**4,306**	3,804
Inventories	10	**1,811**	1,465
Prepayments	10	**338**	1,102
Total Current Assets		**37,800**	61,255
Non Current Assets			
Other Financial Assets		**95**	158
Property and Equipment		**368**	518
Intangible Assets	11	**1,055**	54
Goodwill	12	**2,449**	2,358
Total Non-Current Assets	12	**3,967**	3,088
Total Assets		**41,767**	64,343
Liabilities			
Current Liabilities			
Trade and Other Payables		**2,516**	2,577
Provisions	13	**3,147**	2,892
Total Current Liabilities	14	**5,663**	5,469
Non-Current Liabilities			
Provisions		**102**	77
Total Non-Current Liabilities	14	**102**	77
Total Liabilities		**5,765**	5,546
Net Assets		**36,002**	58,797
Equity			
Issued Capital		**219,746**	219,493
Reserves	15	**20,652**	16,526
Accumulated Losses	16	**(204,396)**	(177,222)
Total Equity		**36,002**	58,797

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

Consolidated Cash Flow Statement

AS AT 30 JUNE 2018

	Notes	2018 $000	2017 $000
Cash Flows from Operating Activities			
Receipts from Customers (Inclusive of GST and US sales tax)		**4,597**	5,460
Payments to Suppliers and Employees (Inclusive of GST and US sales tax)		**(30,960)**	(34,208)
Interest Received		**425**	374
Other Receipts	7	**2,480**	2,808
Net Cash Flows Used in Operating Activities	8	**(23,458)**	(25,566)
Cash Flows from Investing Activities			
Purchase of Property and Equipment	11	**(155)**	(335)
Purchase of Intangible	12	**(1,060)**	(27)
Net Cash Flows Used in Investing Activities		**(1,215)**	(362)
Cash Flows from Financing Activities			
Proceeds from Issue of Ordinary Shares	15	**280**	751
Transaction Costs from Capital Raising	15	**(24)**	(31)
Net Cash Flows Used in Financing Activities		**256**	720
Net Increase (Decrease) in Cash and Cash Equivalents		**(24,417)**	(25,208)
Net Foreign Exchange Differences		**878**	(2,162)
Cash and Cash Equivalents at Beginning of Period		**54,884**	82,254
Cash and Cash Equivalents at the End of the Period	8	**31,345**	54,884

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 2018

	Notes	Issued Capital $000	Reserves $000	Accumulated Losses $000	Total $000
At 30 June 2016		218,807	16,098	(149,651)	85,254
Loss for the Period		-	-	(27,571)	(27,571)
Other Comprehensive Income		-	(2,157)	-	(2,157)
Total Comprehensive Loss for the Period		-	(2,157)	(27,571)	(29,728)
Equity Transactions:					
• Share-based Payments		-	2,585	-	2,585
• Allotment of Ordinary Shares		713	-	-	713
• Costs of Capital Raising		(27)	-	-	(27)
At 30 June 2017		219,493	16,526	(177,222)	58,797
Loss for the Period		-	-	(27,174)	(27,174)
Other Comprehensive Loss		-	871	-	871
Total Comprehensive Loss for the Period		-	871	(27,174)	(26,303)
Equity Transactions:					
• Share-based Payments	18	-	3,255	-	3,255
• Allotment of Ordinary Shares	15	272	-	-	272
• Costs of Capital Raising	15	(19)	-	-	(19)
At 30 June 2018		**219,476**	**20,652**	**(204,396)**	**36,002**

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

Contents

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:

	2018 $000	2017 $000
Net loss used in calculating basic and diluted earnings per share	(27,174)	(27,571)
	No.	No.
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	377,041,819	374,699,571
	$	$
Basic and diluted loss per share	(0.07)	(0.07)

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 2018, 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 2018 there were 32,226,038 (2017: 29,023,827) options and 4,431,500 (2017: 3,638,000) 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;**
- **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. Going Concern

These financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group had cash at its disposal of $31.3 million at 30 June 2018 (30 June 2017: $54.9 million) and had no borrowings from banks or other financial institutions at that date.

Whilst the Group continues to generate operating losses and net cash outflows from operations, the Board approved operating plan and cash flow projections demonstrate that the Group will be able to pay its debts as and when they fall due for a period of 12-months from the date the financial report has been signed and that the going concern assumption can be used.

4. 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 (whom 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 primary focus during the 2018 financial year for the Medical Segment was the initial launch of SOZO and the introduction of the new subscription revenue model, focused on building a high margin contracted revenue pipeline for strong recurring revenue growth in FY2019 and beyond.

In the previous year, reporting for the medical segment was based on assessing the performance of distinct product lines through the sale of legacy products: Oncology and Other. The Oncology product line was focused on selling devices and consumables that aid in the subclinical assessment of individuals at risk of secondary lymphoedema. While the other medical product line captured all other medical device and consumable sales, primarily through devices focused on the monitoring of body composition and hydration.

With the introduction of SOZO, the Group's BIS technology is now on a single digital health platform. The platform is used across multiple disciplines in hospital and clinician settings and the Group (and the Chief Operating Decision Maker) no longer assesses the performance of the medical segment using reports based on the legacy product line information. It is now common for health systems to utilise the BIS technology to aid in the detection of multiple disease states, as diagrammed in the following pages. The Group's resources are primarily allocated to the expansion of the SOZO product line, with minimal resources being allocated to the legacy product line. As a result, the Chief Operating Decision Maker now assesses the performance of the medical segment based on the SOZO platform and the recurring revenue streams associated with the new subscription revenue model. This is a change to the segmenting from the prior year, with comparatives restated to the current year's format.

Types of Products and Services

Medical

The Medical segment is a supplier of non-invasive medical technology products and services to measure, monitor and manage tissue composition and fluid status using BIS. The Medical segment 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".

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

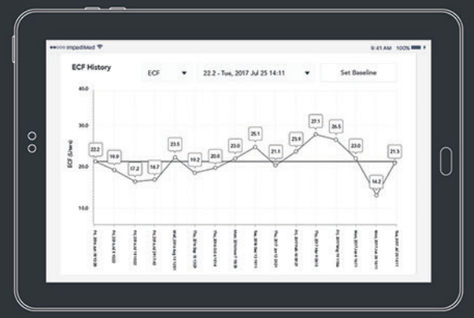
The Group has several customers to which it provides both products and services. In both the Medical and Test & Measurement segments, no one customer accounts for more than 10% of the Group's revenues. The Group does not believe there is inherent risk for future financial years that would stem from reliance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

ImpediMed Limited

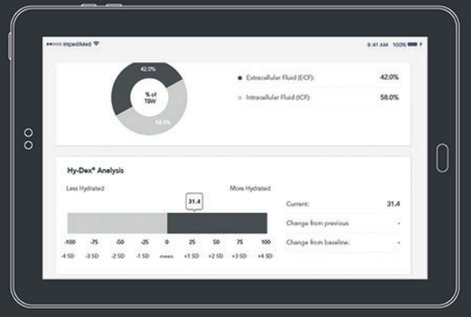
SOZO - Next Generation BIS Digital Health Platform

SOZO - Next Generation BIS Digital Health Platform

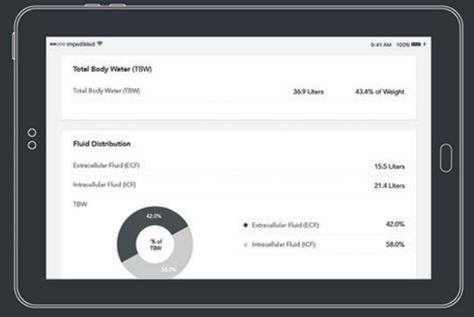
L-Dex® for assessing subclinical unilateral and bilateral lymphoedema



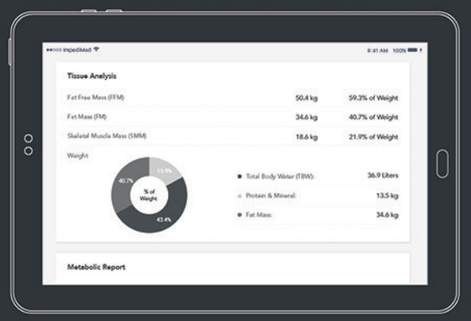
Chronic Heart Failure fluid monitoring



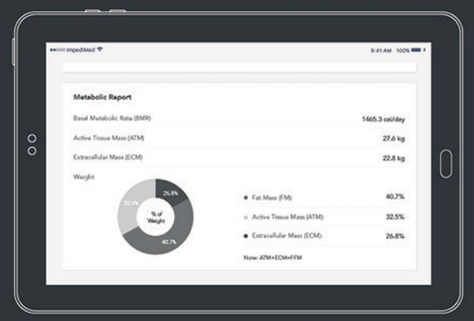
Hydration Status



Extracellular fluid - Intracellular fluid - Total body water



Fat-Free mass - Skeletal muscle mass



Protein and mineral content

ImpediMed Limited

4. Segment Reporting

Segment Revenues and Segment 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.

Year ended 30June 2018	Medical						Year ended 30 June 2017	Medical				
	SOZO $000	Legacy $000	Total Medical $000	Test & Measurement $000	Total $000			SOZO $000	Legacy $000	Total Medical $000	Test & Measurement $000	Total $000
Revenue							**Revenue**					
Device Revenue	749	595	1,344	1,068	**2,412**		Device Revenue	105	1,861	1,966	764	2,730
Subscription Revenue and Consumables	138	1,969	2,107	35	**2,142**		Subscription Revenue and Consumables	-	2,742	2,742	38	2,780
Rendering of Services	8	58	66	177	**243**		Rendering of Services	-	69	69	187	256
Total Segment Revenue	**895**	**2,622**	**3,517**	**1,280**	**4,797**		**Total Segment Revenue**	105	4,672	4,777	989	5,766
Unallocated Revenue - Finance Income			428	-	**428**		Unallocated Revenue - Finance Income			367	-	367
Total Consolidated Revenue			3,945	1,280	**5,225**		**Total Consolidated Revenue**			5,144	989	6,133
Results							**Results**					
Segment Results			(27,017)	(99)	**(27,116)**		Segment Results			(26,769)	(873)	(27,642)
Depreciation and Amortisation Expenses			(418)	(26)	**(444)**		Depreciation and Amortisation Expenses			(221)	(34)	(255)
Finance Costs			(1)	-	**(1)**		Finance Costs			(1)	-	(1)
Total Segment Loss Before Income Tax			**(27,436)**	**(125)**	**(27,561)**		**Total Segment Loss Before Income Tax**			(26,991)	(907)	(27,898)
Income Tax Expense					**(42)**		Income Tax Expense					(40)
Unallocated Net Loss for the Period					**(27,602)**		**Unallocated Net Loss for the Period**					(27,938)
Unallocated Results					**428**		Unallocated Results					367
Total Consolidated Net Loss for the Period					**(27,174)**		**Total Consolidated Net Loss for the Period**					(27,571)
Assets Liabilities							**Assets Liabilities**					
Segment Assets			40,730	1,037	**41,767**		Segment Liabilities			63,224	1,119	64,343
Unallocated Assets			-	-	**-**		Unallocated Liabilities			-	-	-
Total Assets			**40,730**	**1,037**	**41,767**		**Total Assets**			63,224	1,119	64,343
Segment Liabilities			5,498	267	**5,765**		Segment Liabilities			(5,356)	(190)	(5,546)
Unallocated Liabilities					**-**		Unallocated Liabilities					-
Total Liabilities			**5,498**	**267**	**5,765**		**Total Liabilities**			(5,356)	(190)	(5,546)
Other Segment Information							**Other Segment Information**					
Capital Expenditure			155	-	**155**		Capital Expenditure			355	-	355
Write Down in Value of Inventories			12	-	**12**		Write Down in Value of Inventories			10	-	10
Inventory Provision Expense			709	-	**709**		Inventory Provision Expense			556	-	556
Provision for Doubtful Debts			392	7	**399**							

(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 2018 and 2017. 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 segment 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 segment products to customers located in the US.

The operational hub for the Test & Measurement segment is 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 2018	Australia / ROW $000	North America $000	Total $000
Revenue			
Device Revenue	857	1,555	**2,412**
Consumable and Rental Revenue	267	1,875	**2,142**
Service Revenue	46	197	**243**
Total Segment Revenue	**1,170**	**3,627**	**4,797**
Unallocated Revenue			**428**
Total Consolidated Revenue			**5,225**
Other Segment Information			
Non-current Assets	1,164	2,803	**3,967**

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

5. 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 - Device and Consumable Revenue

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).

Subscription Services - Subscription Revenue

Revenue related to subscription services with a contract is accounted for on a straight-line basis over the life of the contract, net of any revenue allocated to the sale of tangible goods.

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.

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.

	2018 $000	2017 $000
Sale of Goods and Subscription Services		
Device Revenue	**2,412**	2,730
Subscription Revenue and Consumable (i) (ii)	**2,142**	2,780
Total Sales of Goods	**4,554**	5,510
Finance Income		
Interest income - Bank Deposits	**425**	305
Interest Income - Term Deposits	**3**	62
Total Finance Income	**428**	367

(i) In conjunction with the introduction of the SOZO Digital Health Platform during the period, the Group began transitioning the business to a subscription revenue model. This replaces the previous model utilised with the Group's legacy product, which involved the sale of capital equipment and the associated consumables. Contract Revenue related to the Subscription Model and Consumable sales of legacy product both directly relate to patient assessments conducted. For comparative purposes, these items have been classified together as the Group transitions to the subscription revenue model.

(ii) The decrease in Contract Revenue and Consumables in the current period is a result of this transition to the subscription revenue model. Under the previous model, revenue was recognised upon the shipment of consumables, whereas under the subscription model, revenue related to subscriptions is recognised over the length of the contract. The Group ended the 2018 financial year with an additional $3.5 million in Contracted Revenue Pipeline (CRP), of which $1.3 million was considered Annual Recurring Revenue (ARR). Please refer to our Glossary of Terms for additional information related to CRP and ARR.

Impact of AASB 15 Revenue from Contracts with Customers

The Australian Accounting Standards Board® ("AASB") issued AASB 15 Revenue from Contracts with Customers ("AASB 15"), which replaces AASB118 Revenue and sets out the requirements for recognizing and measuring revenues arising from contracts with customers. AASB 15 requires that, to recognize revenue, a company shall apply the following five step model:

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 increases 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 completed 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 (in particular the revenue streams associated with the new SOZO subscription revenue model) under the five-step model, and highlighting anticipated differences in the recognition and disclosure of revenue.

The Group has determined that the primary performance obligations related to SOZO contracts are the right to use software during the license period ("Software") and the sale of the tangible hardware ("Hardware").

Revenue recognition on devices under the new standard will remain broadly consistent with previous accounting policies. In the majority of cases once the revenue associated with that performance obligation is recognized, monthly Software fees will be recognised over the contract period on a straight-line basis.

For the period ended 30 June 2018, the Group has assessed that on transition to AASB 15, it will likely have an impact of $0.1 - $0.2 million.

6. Other Income and Expenses

	2018 $000	2017 $000
R&D Tax Incentive	2,848	2,893
Proceeds from Tax Refunds and Grants (i)	102	-
Proceeds or Loss from Other Rebates	128	(11)
Other Income and Finance Costs	**3,078**	2,882

(i) Proceeds from Tax Refunds and Grants include amounts received for an Export Market Development Grant (EMDG). Reasonable assurance related to the receipt of funds for EMDG was established in financial year 2018. The income for the 2018 financial year includes the 2017 grant received as well as an estimate for income related to the 2018 financial year.

Tax Incentive Revenue and Grant Revenue

The Australian Taxation Office (ATO) provides certain Research and Development (R&D) 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 judgment 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.

7. Expenses

Salaries and Benefits	2018 $ 000	2017 $000
Wages and Salaries	11,491	11,169
Performance & Sales Bonus	3,288	3,380
Superannuation	465	443
Annual Leave & Long Service Leave	246	423
Employee Benefits	969	960
Other Employee Costs (i)	364	992
Sub-Total Salaries and Benefits	**16,823**	17,367
Share-based Payments to Employees	3,243	2,572
Total Salaries and Benefits	**20,066**	19,939
Research and Development		
Product Development (i)	873	3,942
Other Reseach and Development	15	66
Sub-total Research and Development	**888**	4,008
Oncology Clinical Trials	1,238	1,213
Cardiology and Other Clinical Trials (ii)	853	115
Sub-total Clinical Trials	**2,091**	1,328
Total Research and Development	**2,979**	5,336

(i) During the previous financial year, the Group focused on the development of SOZO. Initial development of the device was completed during FY2017, with the Group obtaining a CE Mark in June 2017.
(ii) During the financial year the Group supported a trial through the Scripps Institute focusing on utilising biompedence spectroscopy in the monitoring of Chronic Heart Failure.

Administrative and Governance Fees	2018 $000	2017 $000
Directors Fees (i)	628	498
Governance and Regulatory Fees	812	821
Insurance	490	385
Administrative Expenses (ii)	1,406	857
Foreign Currency Loss / (Gain) on Transactions	15	28
Total Adminstrative and Governance Fees	**3,351**	2,589

(i) Directors Fees include Company Secretary Fees, but are net of Superannuation payments. Superannunation payments to Directors have been included in Employee Expenses.
(ii) Administrative expenses during the current financial year include a provision related to doubtful debts on certain aged receivables of $394,000.

Consulting and Professional Fees	2018 $000	2017 $000
Professional Fees	606	563
Consulting Fees (i)	2,018	1,471
Patent and Trademark Fees	568	917
Total Consulting and Professional Fees	**3,192**	2,951

(i) The Group incurred consulting expenses of approximately $494,000 related to support of SOZO, which included product development, customer support, marketing and branding in the US.

Depreciation and Amortisation included in Statement of Comprehensive Income	2018 $000	2017 $000
Depreciation of Property and Equipment	260	152
Depreciation of Demo and Loan Devices	76	73
Amortisation of Leasehold Improvements	9	17
Amortisation of Patents and Licenses	2	2
Amortisation of Software License Costs	76	11
Amortisation of Software Development (i)	20	0
	443	255
Depreciation of Operating Lease Devices (ii)	16	17
Total Depreciation and Amortisation	**459**	272

(i) During the year, the Group capitalised certain costs related to the development of SOZO software 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 four-year useful life based on the expected economic life of the assets and are amortised using the straight-line method.
(ii) Under certain customer agreements, the Group maintains ownership of devices and receives revenue on the purchase of consumable products by the customer. This depreciation has been included in costs of goods sold.

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8. Current Assets - Cash and Cash Equivalents

Salaries and Benefits	2018 $000	2017 $000
Cash at Bank and in Hand	3,046	7,668
Short Term Deposits	28,299	47,216
Cash and Cash Equivalents	**31,345**	54,884

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

Salaries and Benefits	2018 $000	2017 $000
Net Loss After Tax	(27,174)	(27,571)
Adjustments For:		
Depreciation and Amortisation Expense	444	255
Share-based Payment Expense	3,255	2,585
Amounts Set Aside for Provisions	808	624
Unreleased Foreign Currency (Gain) / Loss	(22)	(31)
Changes in Net Assets and Liabilities:		
Decrease / (Increase) in Assets:		
Inventories	(764)	(721)
Fixed Assets	(70)	(26)
Receivables (i)	(891)	(287)
Other Current and Non-current Assets (ii)	737	(624)
(Decrease) / Increase in Liabilities		
Current Payables	(62)	(22)
Other Current and Non-current Liabilities	281	252
Net Cash Used in Operating Activities	**(23,458)**	(25,566)

(i) The increase for the current period is attributable to an increase in the amount accounted for as receivable related to the R&D Tax Credit for the year ended 30 June 2018 compared to the prior year by approximately $400,000. Additionally the Group has approximately $200,000 related to the deferred reduction of revenue related to SOZO. This represents the amount of revenue that was recognised upon shipment of SOZO devices and will be recovered as the monthly recurring SOZO usage fee is billed.
(ii) The decrease for the current period is due to two factors: (1) in the prior period, the Group elected to pre-pay the corporate insurance premiums; whereas in the current period the Group elected not to pre-pay the corporate insurance premiums (2) the Group had a prepaid deposit balance at 30 June 2017 of approximately $272,000 for inventory build and $70,000 for a clinical trial that had not commenced until FY2018.

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.

9. Current Assets - Trade and Other Receivables

	2018 $000	2017 $000
Trade Receivables (i)	1,453	1,233
Allowance for Impairment Loss (ii)	(396)	(6)
Interest Receivable	41	38
Tax and Other Receivables	3,208	2,539
Total Trade and Other Receivables	**4,306**	3,804

Allowance for Impairment Loss on Current Assets

Trade receivables are non-interest bearing and are generally on 30-90 day terms, based upon each customer's credit terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

Movements in the provision for impairment loss were as follows:

	2018 $000	2017 $000
At July 1	6	16
Charge for the Year (ii)	394	-
Amounts Reversed	-	-
Amounts Written Off	(6)	(9)
Foreign Exchange Translation	2	(1)
At June 30	396	6

(i) The Group has $193,000 of deferred receivables, which represents the amount of revenue that was recognised upon shipment of SOZO devices under certain contracts with bundled pricing. These amounts will be amortised over the life of contracts as the customers are billed.
(ii) The Group recognised an impairment of $394,000 in the current year relating to the balance of aged receivables for several European customers and distributors.

The remaining receivables past due, but not considered impaired, are actively assessed by management and viewed as recoverable.

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 (i)
2018	**1,057**	**594**	**264**	**58**	**141**
2017	1,227	644	20	120	443

(i) The Group reviews trade receivables based on aging and makes an assessment on whether balances over 61-days past due are impaired. The remaining balance over 61-days past due as at 30 June 2018 has either been received subsequent to the balance date or is expected to be received and is therefore not provided for.

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 are generally considered objective evidence of impairment.

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.

10. Current Assets - Inventories and Prepayments

Inventories

	2018 $000	2017 $000
Raw Materials (at cost) (i)	605	1,082
Sub-assemblies (at cost)	354	437
Finished Goods (at cost) (i)	2,197	873
Provision for Obsolete Inventory (ii) (iii)	(1,345)	(927)
Total Inventories at the Lower of Cost and Net Realisable Value	**1,811**	1,465

(i) During the period, the Group contracted a build of SOZO devices to meet the operating needs of the Group for FY2019 resulting in the increase in Finished Goods inventory and a reduction in Raw Materials for the componentry owned by the Group.
(ii) During the period, the Group recognised a provision for approximately $709,000 related to medical segment inventory.
(iii) 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 recognized as an expense in cost of sales totaled $12,000 (2017: $10,000) for the Group.

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.

Prepayments

	2018 $000	2017 $000
General Payments (i)	268	642
Insurance Prepayments (ii)	70	460
Total Prepayments	**338**	1,102

(i) Prior to the end of the 2017 financial year, the Group made prepayments related to legacy inventory builds. These builds were subsequently completed in the current period and no further deposits or prepayments were required in the current financial year.

(ii) In the 2017 financial year, the Group elected to prepay for the entirety of its annual corporate and directors and officers (D&O) insurance program. This balance was amortised over the life of the coverage. During the current year, the Group elected to finance the annual insurance program through an insurance premium funding. Total fees and interest charges under the agreement are $12,000. The coverage will be expensed on a monthly basis as incurred.

11. Non-Current Assets - Property and Equipment

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

Year Ended 30 June 2018	Leased, Demo & Loan Devices $000	Leasehold Improvements $000	Property & Machinery $000	Computer Equipment $000	Total $000
At 1 July 2017 Net of Accumulated Depreciation	131	39	189	159	**518**
Additions	-	-	149	40	**189**
Disposals	(23)	(27)	(19)	-	**(69)**
Transfers from Inventory	78	-	-	-	**78**
Depreciation Charge for the Year	(93)	(9)	(165)	(94)	**(361)**
Effect of Foreign Exchange	9	1	-	3	**13**
At 30 June 2018 Net of Accumulated Depreciation	**102**	**4**	**154**	**108**	**368**
At 30 June 2018					
Cost	919	179	672	592	**2,362**
Accumulated Depreciation	(817)	(175)	(518)	(484)	**(1,994)**
Net Carrying Amount	**102**	**4**	**154**	**108**	**368**

Year Ended 30 June 2017	Leased, Demo & Loan Devices $000	Leasehold Improvements $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	(745)	(176)	(355)	(378)	(1,654)
Net Carrying Amount	131	39	189	159	518

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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:

Plant, Machinery and 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 Plant, Machinery and 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.

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12. Non-Current Assets - Intangible Assets and Goodwill

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

Year Ended 30 June 2018	Software & Development $000	Software $000	Patents & Licenses $000	Goodwill $000	Total $000
At 1 July 2017 Net of Accumulated Amortisation & Impairment	-	36	18	2,358	2,412
Arising During the Year	984	115	-	-	1,099
Amortisation	(20)	(76)	(2)	-	(98)
Effect of Foreign Exchange	-	(1)	1	90	90
At 30 June 2018 Net of Accumulated Amortisation & Impairment	**964**	**74**	**17**	**2,448**	**3,503**
At 30 June 2018					
Cost (Gross Carrying Amount)	984	461	34	2,448	3,927
Accumulated Amortisation & Impairment	(20)	(387)	(17)	-	(424)
Net Carrying Amount	**964**	**74**	**17**	**2,448**	**3,503**

Year Ended 30 June 2017	Software & Development $000	Software $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

Description of the Group's Intangible Assets and Goodwill

Accounting Policies for Intangible Assets

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 below. 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.

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

	Software & Patents and Licenses	Development Costs
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

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

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

Software

The Group's software intangible primarily includes the Group's investment in its Quality Management System (QMS), 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

The Group capitalises certain costs related to the development of medical technology software in accordance with AASB 38 Intangible Assets.

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.

Intangible assets related to development costs have been assessed as having a finite life and are amortised using the straight-line method over a period of three or five years, based on the expected economic life of the assets. The amortisation has been recognised in the statement of comprehensive income in the line item "depreciation and amortisation". If an impairment indication arises, impairment testing is undertaken.

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.

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 2018 or 2017.

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.

Impairment Tests for Goodwill and Intangible Assets with Indefinite Useful Lives

Description of the Group's Cash Generating Units (CGUs)

For the purposes of impairment testing, the Group has allocated the goodwill to the Medical CGU which comprises the business supplying bioimpedance and bioimpedance spectroscopy devices for use by clinicians and allied health professionals. 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 2018 and 2017.

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 a subsidiary in 2007. The goodwill is aligned to the objectives of the acquisition which were to eliminate the risk of legal action for infringement of patents 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 hospitals and clinicians), particularly in the US;**
- **Progress in completing clinical trials for SOZO in the US, in relation to additional indications such as CHF;**
- **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; and

3) The ability of the Group to have cash funding sufficient to execute the current business plan.

All assumptions used in the calculation are based on budgets and forecasts and consider the size of markets available to the Group. 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 2018 financial year (2017: 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 2018 was approximately $150 million, which exceeded the net assets recorded (including goodwill) by approximately $114 million.

13. Current Liabilities - Trade and Other Payables

	2018 $000	2017 $000
Trade Payables and Accruals (i)	1,765	2,142
Deferred Revenue (ii)	270	58
Employee Related Payables (iii)	317	221
Sales Tax and Other Payables	164	156
Carrying Amount of Trade and Other Payables	**2,516**	2,577

(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) Deferred revenue is recognised on certain SOZO contracts related to customers that elect to prepay for recurring monthly usage fees, typically for up to one-year.
(iii) 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

	2018 $000	2017 $000
Current		
Employee Entitlements (i)	3,114	2,857
Warranty Provision	29	31
Office Lease - Make Good Provisions	4	4
Total Current Provisions	**3,147**	2,892
Non-Current		
Employee Entitlements	11	13
Deferred Rent Liability	57	31
Office Lease - Make Good Provisions	34	33
Total Non-Current Provisions	**102**	77

(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 2018, the incentive plan focused on both Group and individual performance.

Significant Movements in Provisions

During the year, the Group utilised approximately $2.2 million (2017: $2.1 million) in short-term incentives related to the prior year accrual. This movement was offset by the 2018 financial year accrual of $2.1 million (2017: $2.2 million), net of foreign exchange differences.

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 and superannuation contributions (all current) and for long service leave (non-current).

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 four 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

	2018 $000	2017 $000
Ordinary Shares Fully Paid	219,746	219,493
Total Ordinary Shares	**219,746**	219,493

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 $19,000 (2017: $27,000) pertaining to the cost of capital from the exercise of options and performance rights during the current reporting period. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Number of Shares	$000
At 1 July 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
Issued During the Period as a Result of:		
Issue of Ordinary Shares	3,467,619	272
Transaction Costs	-	(19)
At 30 June 2018	**378,993,655**	**219,746**

Capital Management

	2018 $000	2017 $000
Total Borrowings (i)	2,515	2,577
Less Cash and Cash equivalents	(31,345)	(54,884)
Net Debt	(28,830)	(52,307)
Total Equity	36,002	58,797
Total Capital	7,172	6,490
Net Debt to Equity Ratio	N/A	N/A

(i) The Group has no outstanding borrowings (2017: nil). Trade and other payables are included in Total Borrowings on this table in order to reflect the net cash available to the Group after current payables are settled.

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 Options Reserve $000	Foreign Currency Translation $000	Total $000
At 1 July 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
Foreign Currency Translation	-	-	871	871
Share-based Payment	1,113	2,142	-	3,255
At 30 June 2018	**2,960**	**13,062**	**4,630**	**20,652**

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 2018, there were 36,657,538 (30 June 2017: 32,661,827) unissued ordinary shares in respect of 32,226,038 (30 June 2017: 29,023,827) unlisted options, 4,431,500 (30 June 2017: 3,638,000) performance shares and nil (30 June 2017: 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)

	2018 $	2017 $
Employee Benefits (i)	3,949,539	4,318,047
Post-employment Benefits	122,758	120,469
Severance Benefits	-	317,134
Share-based Payments	2,573,684	2,191,975
Total Compensation (ii)	**6,645,981**	6,947,625

(i) Short-term employee benefits include salaries and wages, short-term incentives earned during the period, other one-time short-term incentives, long service leave, 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 monthly.

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	Expiry Date	Exercise Price	2018
Share Options	31-Dec-18	$0.18-0.6818	148,332
Share Options	30-Jun-19	$0.11-0.4618	1,819,304
Performance Rights	14-Nov-19	$0.00	635,000
Share Options	31-Dec-19	$0.18	100,000
Share Options	30-Jun-20	$0.11-.21	1,852,839
Performance Rights	25-Oct-20	$0.00	331,500
Performance Rights	15-Nov-20	$0.00	2,396,000
Share Options	31-Dec-20	$0.18	100,000
Share Options	30-Jun-21	$0.21	874,072
Share Options	4-Dec-21	$0.69	4,526,000
Share Options	1-Jul-22	$0.87-1.00	1,075,000
Share Options	8-Jul-22	$0.35	7,252,561
Share Options	25-Oct-23	$1.66	821,000
Share Options	13-Nov-23	$1.46	335,000
Share Options	14-Nov-23	$1.46	872,000
Share Options	15-Nov-24	$0.82	3,417,000
			26,555,608

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:

	2018 $000	2017 $000
Expense Arising from Equity-settled share-based Payment Transactions - Employees (i)	2,130	1,838
Expense Arising from Equity-settled share-based Payment Transactions - Consultants (i)	12	13
Expense Arising from Equity-settled Performance Rights Payment Transactions - Employees (ii)	1,113	734
Total Expense Arising from Share-based Payment Transactions	**3,255**	2,585

(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 $0.64 to $.815, whereas in the prior year the range was $0.74 to $1.66.

(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 Plans (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.**
- **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 2018, 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.

(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 the Group.

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 option 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);
  - 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)
- 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 tothe 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 7,410,200 (2017: 4,213,000) 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.

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 hurdles. The Group issued 3,383,000 (2017: 1,419,000) 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 stock price for ImpediMed Limited as of the close of business on the day 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% Limit 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.

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

	2018		2017	
	Number	WAEP $	Number	WAEP $
Balance at the Beginning of the Year	13,476,000	0.97	11,308,000	0.78
Granted During the Year (i)	7,410,200	0.80	4,213,000	1.44
Forfeited During the Year	(2,670,130)	1.02	(1,926,689)	0.88
Exercised During the Year (ii)	-	-	(118,311)	0.72
Balance at the End of the Year	**18,216,070**	**0.89**	13,476,000	0.97
Exercisable at 30 June (iii)	**7,324,236**	**0.81**	5,024,683	0.73

PERFORMANCE RIGHTS

	2018		2017	
	Number	WAEP $ (iv)	Number	WAEP $
Balance at the Beginning of the Year	3,638,000	-	2,760,000	-
Granted During the Year	3,383,000	-	1,419,000	-
Forfeited During the Year	(509,500)	-	(541,000)	-
Exercised During the Year	(2,080,000)	-	-	-
Balance at the End of the Year	**4,431,500**	-	3,638,000	-
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 nil (2017: $0.34).
(iii) All options granted in the 2017 financial year vest on an annual basis. All options granted in the 2018 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:

	2018		2017	
	Number	WAEP $	Number	WAEP $
Balance at the Beginning of the Year (i) (ii)	15,547,827	0.27	17,401,232	0.28
Granted During the Year (ii)	-	-	-	-
Forfeited During the Year	(48,875)	0.14	(1,823,254)	0.34
Exercised During the Year (iii)	(1,387,619)	0.19	(30,151)	0.59
Expired During the Year	(101,365)	0.39	-	-
Balance at the End of the Year	**14,009,968**	**0.28**	15,547,827	0.27
Exercisable at 30 June	**14,009,968**	**0.28**	15,547,827	0.27

(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 $0.20 (2017: $0.34).

Employee Incentive Plan (EIP)

The year-end balance is represented by:

SHARE OPTIONS

Number of Options	Exercise Price ($) (i)	Expiry Date
11,000	$ 0.99	14-Jul-18
35,070	$ 0.93	15-Jul-18
50,000	$0.46	15-Dec-20
4,167	$0.46	15-Jan -21
4,167	$0.46	15-Feb -21
4,166	$0.46	15-Mar-21
4,167	$0.46	15-Apr-21
4,167	$0.46	15-May-21
4,166	$0.46	15-Jun-21
4,167	$0.46	15-Jul-21
4,167	$0.46	15-Aug-21
4,166	$0.46	15-Sep-21
4,167	$0.46	15-Oct-21
4,167	$0.46	15-Nov-21
5,638,000	$0.69	04-Dec-22
4,166	$0.46	15-Dec-21
4,167	$0.46	15-Jan-22
4,167	$0.46	15-Feb-22
4,166	$0.46	15-Mar-22
4,167	$0.46	15-Apr-22
50,000	$0.85	08-May-22
4,167	$0.46	15-May-22
4,166	$0.46	15-Jun 22
1,590,000	$0.87	01-Jul-22
4,167	$0.46	15-Jul-22
4,167	$0.46	15-Aug-22
4,166	$0.46	15-Sep-22
4,167	$0.46	15-Oct-22
4,167	$0.46	15-Nov-22
400,000	$1.03	08-Dec-22
4,166	$0.46	15-Dec-22
425,000	$0.89	18-May-23
200,000	$1.32	01-Aug-23
821,000	$1.66	25-Oct-23
725,000	$1.47	04-Nov-23
335,000	$1.46	13-Nov-23
872,000	$1.46	14-Nov-23
206,000	$0.73	06-Mar-24
120,000	$0.74	28-Apr-24
309,000	$0.64	13-Sep-24
6,022,000	$0.82	15-Nov-24
306,000	$.068	27-Apr-25
18,215,070		

PERFORMANCE RIGHTS

Number of Rights	Exercise Price ($) (i)	Expiry Date
635,000	-	14-Nov-19
3,128,000	-	15-Nov-20
57,000	-	04-Nov-20
100,000	-	31-Jul-19
331,500	-	25-Oct-20
180,000	-	27-Apr-21
4,431,500		

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

Employee Stock Option Plan (ESOP)

The year-end balance is represented by:

SHARE OPTIONS

Number of Options (ii)	Exercise Price ($) (i)	Expiry Date
51,066	$ 0.11	30-Jun-18
251,331	$ 0.18-0.6818	31-Dec-18
2,352,174	$ 0.11-0.5818	30-Jun-19
175,000	$ 0.18	31-Dec-19
2,478,749	$ 0.11-0.44	30-Jun-20
100,000	$ 0.18	31-Dec-20
1,224,087	$ 0.21-0.44	30-Jun-21
125,000	$ 0.44	30-Jun-22
7,252,561	$ 0.35	08-Jun-22
14,009,968		
36,656,538		

(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.
(ii) At 30 June 2018, 51,066 options with an expiry date of 30 June 2018 are pending exercise and will be exercised once the trading window is re-opened.

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.

(C) WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE

Employee Share Option Plan (ESOP)

The weighted average remaining contractual life for share options outstanding as at 30 June 2018 is 2.9 (2017: 3.6) years.

Employee Incentive Plan (EIP)

The weighted average remaining contractual life for share options outstanding as at 30 June 2018 is 3.7 (2017: 5.2) years. The weighted average remaining contractual life for performance rights outstanding as at 30 June 2018 is 2.2 (2017: 1.3) years.

(D) RANGE OF EXERCISE PRICES

Employee Share Option Plan (ESOP)

The range of exercise prices for options outstanding as at 30 June 2018 is $0.11-0.68 (2017: $0.11-1.66).

Employee Incentive Plan (EIP)

The range of exercise prices for options outstanding as at 30 June 2018 is $0.46-1.66 (2017: $0.46-$1.05). The performance rights are issued at nil exercise price.

(E) WEIGHTED AVERAGE FAIR VALUE

Employee Incentive Plan (EIP)

The weighted average fair value of options granted during the year was $0.87 (2017: $0.87).

(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.

The following table lists the inputs in the models used for the financial years ended 30 June 2018 and 30 June 2017:

	EIP Issue 2018	**EIP Issue 2017**
Expected Volatility (%)	**75.9%**	75.9%
Risk Free Interest Rate (%)	**1.9%**	1.9%
Expected Life of Option (Years)	**7**	7
Option Exercise Price ($)	**$0.64 - $0.82**	$0.73 - $1.66
Stock Price at Grant Date ($)	**$0.66 - $0.82**	$0.69 - $1.68
Calculated Fair Value at Grant Date ($)	**$0.37 - $0.53**	$0.38 - $1.09

The fair value of performance shares is measured by using the stock price for ImpediMed Limited as of the close of business on the day prior to the grant date multiplied by the number of eligible shares.

The dividend yield for all tranches was nil. The weighted average share price for all tranches at grant date was $0.81 in financial year 2018 (2017: $1.56).

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.

(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; and**
- **The expired portion of the vesting period.**

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

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

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

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

During the prior 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:

	2018 $000	2017 $000
Current Income Tax		
Current Income Tax Benefit/(Expense)	(42)	(40)
Prior Year Over/Under Provision	-	-
	(42)	(40)
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	**(42)**	(40)

Tax Losses

The Group has tax losses in Australia of approximately $64.8 million (2017: $59.0 million) and tax losses in the US of approximately USD $83.8 million (2017: USD $70.0 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

	2018 $000	2017 $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	(27,132)	(27,531)
Accounting Profit/(Loss) Before Income Tax	(27,132)	(27,531)
At Australia's Statutory Income Tax Rate of 27.5% (2017: 27.5%)	(7,461)	(7,571)
Adjustment for Current Income Tax of Previous Years		
Expenditure Not Allowable for Income Tax Purposes	2,365	2,652
Other Assessable Income	25	-
Non Assessable Income	(810)	(796)
Other Deductible Expenses	128	23
Foreign Tax Rate Adjustment	(4)	(1,991)
Tax Losses Not Recognised	5799	7,723
Income Tax Reported in the Consolidated Statement of Comprehensive Income (i)	**42**	40

(i) ImpediMed Hellas, the Greece-based subsidiary of the Group, was established during the previous financial year as a limited liability Idiotiki Kefalaiouhiki Eteria ("IKE"). The Greece-based subsidiary primarily provides Research & Development and Marketing related services to the Parent entity and had taxable income during the 2018 and 2017 financial years. 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.

Deferred Tax Disclosures

Deferred Income Tax at 30 June Relates to the Following:

	2018 $000	2017 $000
Deferred Tax Assets		
Doubtful Debts	106	2
Employee Entitlements	238	321
s40-880 Costs	551	911
Patents and License Costs	268	432
Sundry Creditors and Accruals	97	92
Losses Available for Offset Against Future Taxable Income	46,237	51,426
Revenue Received in Advance	22	22
Inventory and Other Provisions	395	304
Unrealised Foreign Exchange Losses	(3,728)	(2,161)
Deferred Tax Liabilities		
Income not Derived for Tax Purposes	(27)	(2)
	44,159	51,347
Deferred Tax Assets not Recognisable	(44,159)	(51,347)
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 busin combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or**
- **When the taxable temporary difference is associated with investments in subsidiaries and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.**

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

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

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

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

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

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

Other Taxes

Revenues, expenses, assets and liabilities 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:	2018 $000	2017 $000
Current Assets	4,889	7,077
Total Assets	7,457	7,720
Current Liabilities	757	2,022
Total Liabilities	779	2,044
Issued Capital	219,746	219,493
Accumulated Losses	(229,090)	(220,858)
Performance Share Reserve	2,960	1,847
Share Option Reserve	13,062	10,920
Total Shareholders' Equity	6,678	11,402
Loss of the Parent Entity	(8,231)	(8,380)
Total Comprehensive Loss of the Parent Entity	(8,231)	(8,380)

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

Details of any 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	
		2018	2017
ImpediMed Incorporated	United States	100	100
ImpediMed Hellas	Greece	100	100
XiTRON Technologies 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 2018, 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.

For the year ended 30 June 2018, there were no other transactions with KMP that would be considered related party transactions.

Key Management Personnel (KMP)

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

22. Auditor's Remuneration

Information Relating to ImpediMed Limited:	2018 $000	2017 $000
Amounts Received or Due and Receivable By Ernst & Young Australia for:		
Audit and Review of Financial Report of the Entity	232,462	205,563
	232,462	205,563

23. Commitments

Operating Lease Commitments

The Group is under lease for one (1) Australian-based headquarters, two (2) US-based operating facilities, and one (1) Greece-based facility. The leases have a total range of less than one-year to four-years remaining. Several of the leases contain a termination option prior to the end of the lease, leaving a range of less than one-year to three-years remaining under the minimum lease obligations. In April 2017, the Group signed a three-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 2018 are as follows:

	2018 $000	2017 $000
Within One Year (i)	334	502
After One Year but not More Than Five (ii)	862	997
More Than Five Years	-	-
	1,196	1,499

(i) At 30 June 2018, $68,000 related to commitments of the Parent entity (2017: $68,000) are due within one-year.
(ii) At 30 June 2018, $51,000 related to commitments of the Parent entity (2017: $121,000) 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 2018, the Group has commitments of $2.2 million (2017: $2.2 million) relating to the funding of future product builds, clinical trials, advertising and promotional activities, and other activities. The expenditure commitments primarily relate to the commercialisation of the SOZO device with L-Dex technology in the US marketplace, as well as the PREVENT and CHF clinical trials.

	2018 $000	2017 $000
Within One Year (i)	2,153	2,223
	2,153	2,223

(i) At 30 June 2018, $166,000 related to commitments of the Parent entity (2017: $1,797,000).

Royalty Commitments

At 30 June 2018, 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 2018.

Accounting Policies for Onerous Contracts

An onerous contract provision is recognised for contracts that are deemed onerous. Contracts are demed 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 and assessment of whther 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 2018 (30 June 2017: 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 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.

Impact of AASB 16 Leases

The AASB issued a new accounting standard, called AASB 16 Leases. It replaces the previous accounting standard, AASB 117 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 AASB 117 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 2018, the Group has assessed that, if early adopted, IFRS 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 IFRS 16 would have likely resulted in a positive impact on EBITDA.

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

24. Contingencies

Legal Claims

At 30 June 2018, the Group has no known open claims or lawsuits against it.

Contingent Liabilities

The Group had no contingent liabilities as at 30 June 2018 or 2017.

Cross Guarantees

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

25. Events after the Balance Sheet Date

On 2 July 2018, the Group hired Shashi Tripathi as Chief Technology Officer.

On 23 August 2018, PREVENT trial results published with outstanding initial data. The authors from the PREVENT trial concluded that L-Dex is very sensitive in the assessment of sub-clinical lymphoedema in patients with a history of breast cancer. The paper also supports the recommendation for an aggressive measurement protocol consisting of an L-Dex assessment every three months, especially during the first 6 to 12 months post-surgery to facilitate identification of sub-clinical lymphoedema.

On 24 August 2018, BIS and L-Dex suggested as new standard of care for cancer survivors at risk of developing lymphoedema at the first educational seminar to be presented by the Principal Investigator of the PREVENT trial – "Removing the Mystery Around Bioimpedance – Moving Towards a New Standard of Care". The presentation was the first in a series of seminars to take place across the US and Australia and included top-line results from the interim analysis of the PREVENT trial.

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:

	2018 $000	2017 $000
Financial Assets		
Cash and Cash Equivalents	31,345	54,884
Restricted Cash, Current and Non-current	95	92
Net Exposure	**31,440**	54,976

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 2018, 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)	
	2018 $000	2017 $000
+1.0% (100 Basis Points)	314	550
-0.5% (50 Basis Points)	(157)	(275)

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 related to USD, EUR, and GBP resulting from sales activities into the US and Europe.

The Group holds the majority of its funds in the functional currency of the entity where the funds are expected to be spent. Only funds held in currencies other than an entity's functional currency are considered at risk of foreign currency fluctuations.

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 prior year, the amounts that are sensitive foreign currency risk are deemed immaterial, other than the financial assets denoted.

At 30 June 2018, the Group had the following exposure to foreign currency:

	2018 $000	2017 $000
Financial Assets		
Cash and Cash Equivalents - USD	210	364
Cash and Cash Equivalents - EUR	7	-
Cash and Cash Equivalents - GBP	1	-
Trade and Other Receivables - USD	109	9
Trade and Other Receivables - EUR (i)	-	252
Trade and Other Receivables - GBP (ii)	-	208
Trade and Other Receivables - NZD (iii)	-	-
	327	833
Financial Liabilities		
Trade and Other Payables - USD	-	51
Net Exposure	**327**	782

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

At 30 June 2018, 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)	
	2018 $000	2017 $000
AUD to Foreign Currency + 15% (2017: +15%)	(41)	(96)
AUD to Foreign Currency - 15% (2017: -15%)	102	414

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 review of the last two years' historical movements and economic forecasters' expectations.**
- **The reasonably possible movement was calculated by taking the USD spot rates at balance date, moving this spot rate by the reasonably possible movements and then re-converting the USD into AUD with the "new spot-rate". This methodology reflects the translation methodology undertaken by the Group.**
- **The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.**
- **The sensitivity analysis does not include financial instruments that are non-monetary items as these are not considered to give rise to currency risk.**

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

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 $75,000 in outstanding term deposits held at the end of the financial year (2017: $1,500,000). 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 2018.

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 2018. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2018.

Maturity Analysis of Financial Assets and Liabilities

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables, and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as property, plant, equipment and investments in working capital e.g. inventories and trade receivables.

These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting covering their worldwide business unit that reflects expectations of management of expected settlement of financial assets and liabilities.

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

Year Ended 30 June 2018	≤ 6 months $000	6–12 months $000	1–5 years $000	Total $000
Liquid Financial Assets				
Cash and Cash Equivalents	31,345	-	-	**31,345**
Trade and Other Receivables	4,113	193	-	**4,306**
Other Financial Assets	-	-	95	**95**
Subtotal	35,458	193	95	**35,746**
Financial Liabilities				
Trade and Other Payables	2,121	395	-	**2,516**
Net Flow	**33,337**	**(202)**	**95**	**33,230**

Year Ended 30 June 2017	≤ 6 months $000	6–12 months $000	1–5 years $000	Total $000
Liquid Financial Assets				
Cash and Cash Equivalents	54,884	-	-	54,884
Trade and Other Receivables	3,804	-	-	3,804
Other Financial Assets	-	65	92	157
Subtotal	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

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	
Year Ended 30 June 2018	2018 $000	2017 $000	2018 $000	2017 $000
Financial Assets				
Cash and Cash Equivalents	**31,345**	54,884	**31,345**	54,884
Restricted Cash	**31**	31	**31**	31
Trade and Other Receivables	**3,306**	3,804	**3,306**	3,804
Other Financial Assets	**64**	127	**64**	127
	35,746	58,846	**35,746**	58,846
Financial Liabilities				
Trade and Other Payables	**2,516**	2,577	**2,516**	2,577
	2,516	2,577	**2,516**	2,577

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.

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 2018. 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.

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 2018 showed that due to the commercial availability of SOZO, an obsolescence indicator is likely to be present for legacy BIS measurement devices. An impairment loss of approximately $709,000 was recognised during this financial reporting period related to BIS measurement devices and components.

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.

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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 development project costs incurred by the Group, as well as to determine when technical and commercial feasibility of the assets for sale of 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.

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.

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Basis of Preparation

The financial report of the Group for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 30 August 2018.

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. ↗

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:

There were no new or amended Australian Accounting Standards and AASB interpretations that the Group adopted as of 1 July 2017 that had a material impact on the financial statements.

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 and have not been adopted by the Group for the annual reporting period ended 30 June 2018.

These standards and interpretations are outlined in the table below:

Reference	Title	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
AASB 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	1 July 2018

* Designates the beginning of the applicable annual reporting period.

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During the year, the Group conducted an assessment of the impact of AASB 9. AASB 9 replaces AASB 139 Financial Instruments - Recognition and Measurement. The Group assessed the potential impact of credit risk as it relates to trade receivables stemming from long-term contracts with customers. The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of AASB 9.

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. This new revenue standard will supersede all current revenue recognition standards under the Australian Accounting Standards. A full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group plans to adopt the new standard using the full retrospective method. During the 2018 financial year, the Group performed a full assessment of AASB 15. Further detail as to the impact of AASB 15 is available in note 5.

During the year, the Group also completed an assessment of the impact of AASB 16. Further details as to the potential impact AASB 16 on the Group is available in note 23.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of ImpediMed Limited and its subsidiaries (as outlined in note 21) 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.

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

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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 2018 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 2018.**

On behalf of the Board

Scott Ward
Chairman

Judith Downes
Director

30 August 2018

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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 2018, 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 2018 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 report. 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
As disclosed in Note 3 of the financial report the Directors concluded that in their opinion despite the Group generating operating losses and net cash outflows for the year, there are reasonable grounds to believe that the Group has the ability to pay its debts as and when they fall due. The financial report has been prepared on a going concern basis. The going concern assumption is fundamental to the basis of preparation of the financial report. As the Group has not generated a profit since it started operations and given the judgment involved in preparing cash flow forecasts, we considered this matter and the related disclosures to be a Key Audit Matter.	Our audit procedures included the following: • Assessed the Directors' determination and conclusion as to the going concern basis of preparation. • Considered the operating plans of the Group and evaluated the assumptions made in the cash flows forecasts on which the Directors' assessment is based. • Considered the historical reliability of the Group's cash flow forecasts and agreed the cash flow forecasts to the Board approved operating plan. • Considered the impact of a range of sensitivities to the cash flow model. • Evaluated the adequacy of the Group's going concern related disclosures in the financial report.

Building a better working world

Research and development receivable

Why significant	How our audit addressed the key audit matter
At 30 June 2018 the Group recorded a research and development tax receivable of $2.5 million in relation to the AusIndustry Research and Development Tax Incentive program. Due to the quantum of the amounts recorded and complexity of the associated tax legislation there is an inherent risk around the recoverability of the receivable.	We assessed the effectiveness of relevant controls relating to the recording of research and development costs. We assessed the calculation prepared by the Group for compliance with the relevant legislation with the involvement of our taxation specialists. We considered whether the income was recognised in accordance with Australian Accounting Standards.

Provision for inventory obsolescence

Why significant	How our audit addressed the key audit matter
The Group recorded a provision against inventories of $1.3 million at 30 June 2018. There is judgment required in determining levels of excess and obsolete inventory and their forecast net realisable value. 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. The provision for obsolete inventories is disclosed in Note 10.	We assessed whether inventory was recorded at the lower of cost and net realisable value. We assessed the Group's judgments exercised when considering the adequacy of provisions. We assessed the appropriateness of the inventory provision with reference to forecast future sales of legacy devices relative to legacy inventory on hand at 30 June 2018.

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 with the exception of the Remuneration Report and our related assurance opinion.

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.

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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 Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 46 to 68 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of ImpediMed Limited for the year ended 30 June 2018, 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
30 August 2018

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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 3 August 2018.

(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	279	315,309,536	83.20%
10,001 to 100,000	1,776	54,191,245	14.30%
5,001 to 10,000	774	6,066,699	1.60%
1,001 to 5,000	1,030	3,256,098	0.86%
1 to 1,000	418	170,077	0.04%
Total	**4,277**	**378,993,655**	**100.00%**

(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	31	31,259,968	97.00%
10,001 to 100,000	19	966,070	3.00%
5,001 to 10,000	-	-	-
1,001 to 5,000	-	-	-
1 to 1,000	-	-	-
Total	**50**	**32,226,038**	**100%**

(C) DISTRIBUTION OF PERFORMANCE RIGHTS HOLDERS

The distribution of unquoted Performance Rights on issue are:

Size of Holding	Number of Holders	Unlisted Options	% of Options
100,001 and Over	8	4,056,500	91.54%
10,001 to 100,000	6	375,000	8.46%
5,001 to 10,000	-	-	-
1,001 to 5,000	-	-	-
1 to 1,000	-	-	-
Total	**14**	**4,431,500**	**100%**

(D) LESS THAN MARKETABLE PARCELS OF ORDINARY SHARES

There are 495 shareholders with unmarketable parcels totaling 260,730 shares.

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(E) 20 LARGEST SHAREHOLDERS

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

	Shareholder	Number of Fully Paid Ordinary Shares	% of Issued Capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	54,263,027	14.32%
2	CITICORP NOMINEES PTY LIMITED	36,005,473	9.50%
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	35,024,509	9.24%
4	NATIONAL NOMINEES LIMITED	30,254,787	7.98%
5	STARFISH TECHNOLOGY FUND 1 LP	24,285,465	6.41%
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	21,067,272	5.56%
7	BNP PARIBAS NOMINEES PTY LTD	19,470,768	5.14%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,380,151	1.42%
9	BNP PARIBAS NOMS PTY LTD	3,363,322	0.89%
10	THORPE ROAD NOMINEES PTY LTD	3,011,288	0.79%
11	SANDHURST TRUSTEES LTD	2,827,711	0.75%
12	MOORE FAMILY NOMINEE PTY LTD	2,250,000	0.59%
13	PAKASOLUTO PTY LIMITED	2,186,286	0.58%
14	CITICORP NOMINEES PTY LIMITED	1,948,624	0.51%
15	SUNLORA PTY LTD	1,496,628	0.39%
16	MS NICOLA JAGUSCH	1,400,334	0.37%
17	PASAGEAN PTY LIMITED	1,250,000	0.33%
18	THORPE ROAD NOMINEES PTY LTD	1,193,783	0.31%
19	SUNLORA PTY LIMITED	1,122,368	0.30%
20	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,105,117	0.29%
	Total	**248,906,913**	**65.68%**
	Total Quoted Equity Securities	**378,993,655**	

(F) SUBSTANTIAL SHAREHOLDERS

The names of the Substantial Shareholders listed in the Group's Register as at 24 August 2018:

Shareholder	Number of fully paid Ordinary Shares	% of Issued Capital
Allan Gray Australia Pty Ltd and its related bodies corporate	63,713,308	16.96%
FIL Limited and its related bodies corporate	28,013,479	7.46%
Starfish Technology Fund 1, Lp and related persons and bodies corporate	25,238,045	6.77%
Macquarie Group Limited	23,496,932	6.19%
Paradice Investment Management Pty Ltd	22,763,711	6.06%
Kinetic Investment Partners Ltd	19,466,639	5.13%
Total	**182,692,114**	**48.57%**

(G) RESTRICTED SECURITIES

The Company had no restricted securities on issue as at 3 August 2018.

(H) 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. Performance rights and Options have no voting rights.

(I) ON-MARKET BUY-BACKS

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

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