IM MEDICAL LIMITED

ABN: 47 009 436 908

Annual Financial Report
for the Year Ended 30 June 2012

Corporate Information

Company Directors

Mr. Nigel Blaze	Chairman
Mr. Richard Wadley	Non Executive Director
Mr. Paul Quarrell	Non Executive Director

Company Secretary
Mr. Richard Wadley

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Bankers
The Bank of Melbourne

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Auditor
Deloitte Touche Tohmatsu
550 Bourke Street,
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Chairman's Report

Dear Shareholders,

On behalf of the Board, I am pleased to present the company's Annual Financial Report for the financial year ended 30 June 2012.

This year the Board's focus has been to ensure the Company 's financial viability was restored and to place the Company in a position to move forward as a profitable undertaking.

To that end the Board moved to refinance the Company through a non-renounceable pro-rata rights issue to raise up to $3.3 million with a minimum raising of $2.5 million. The rights issue was on the basis of 6 shares for every 1 share held at a share price of 0.5 cents per share, with a minimum subscription amount of $2.5 million. The proceeds of the rights issue were used to pay creditors, repay the converting loan and for general working capital purposes. The rights issue was over subscribed which enabled the Company to raise a further $250k through a placement.

In March 2012 the Company completed the sale of the Radiology Business to Capitol Health Limited. As a result of the completion of the transaction the Company was issued 45,559,021 ordinary fully paid Capitol Health Limited shares. These were distributed on a pro-rata basis to eligible IM Medical ("IMI") shareholders registered on 5 April 2012. This resulted in a return of approximately $2.4m or 0.291 cents per share in capital to IMI shareholders.

Intelliheart

IMI's other main business Intelliheart was not profitable during the year, and as previously foreshadowed the Company is in the process of selling that business.

Future Plans

Following the completion of the recapitalisation through the rights issue and placement, the Company has been investigating acquisition and investment opportunities. The Directors are considering opportunities across a range of sectors which may result in the Company moving way from its medical services focus. Decisions regarding any material investment or acquisition will be subject to shareholder approval in compliance with ASX requirements.

The Board will review its composition as opportunities are identified to ensure the Board has the appropriate skills and experience to implement the Company's revitalisation strategy going forward.

Please be assured your Board is working as hard as it can to effect the restructure and protect shareholder value. The Directors look forward to your on-going support as we work through this difficult period, restructure the business and seek opportunities to create shareholder value.

Yours sincerely,

N. L. Blaze

Nigel Blaze
Chairman
30 August 2012

Corporate Governance Statement

IM Medical Limited remains committed to corporate governance practices that are compatible with the Company's age and size and which ensure an appropriate degree of accountability and transparency to shareholders and other stakeholders.

ASX Listing rule 4.10.30 requires that IM Medical Limited disclose the extent to which it has followed the recommendation of the ASX Corporate Governance Councils ("ASX CGC") *Corporate Governance Principles and Recommendations* (2nd Edition) during the 2011 year.

PRINCIPLE 1 – Lay solid foundations for management and oversight

Recommendations 1.1: Formalise and disclose the functions reserved to the board and those delegated to management.

The IM Medical board retains responsibility for the following areas:

a) Setting and monitoring of objectives, goals and strategic direction for management with a view to maximising shareholder wealth;

b) Approving annual budget and monitoring financial performances;

c) Ensuring adequate internal controls exist and are appropriately monitored for compliance;

d) Ensuring significant business risks are identified and appropriately managed;

e) Approving acquisitions

f) Ensuring and appointing new Directors; and

g) Maintaining the highest business standards and ethical behavior

Recommendation 1.2: Disclose the process for performance evaluation of the board, its committees and individual directors and key executives.

The principles adopted for performance evaluations of key executives are outlined in the remuneration section of the director's report.

In summary the board evaluates the performance of senior executives on an annual basis. When considering performance, the board has regard for such things as:

a) The responsibilities of the executive

b) The approved annual budgets

c) Any communicated key performance indicators; and

d) Qualities as well as quantitative measures

In relation to the directors, the process for evaluating performance is more informal but none the less effective.

Directors and key executives have ongoing access to continuing education to enhance their skills and knowledge and the board has access to independent professional advice at the company's expense. In addition, all directors have access to the Company Secretary who is responsible to the board, through the Chairman, on all governance matters.

Corporate Governance Statement (cont'd)

PRINCIPLE 2 – Structure the board to add value

Recommendations 2.1: A majority of the board should be independent directors.

At the date of this report, the board comprises three directors, all of which are considered independent and meet the objective assessment of quantitative, qualitative, and cumulative criteria for director independence.

The degree of independence will be reviewed periodically but the current view of the board, is that sufficient independence is adequately provided by independent directors and strategic advisers. The board recognises that a director remains in office for the benefit of and is accountable to shareholders and that shareholders have the voting power to elect members to the board regardless of their standing, independent or otherwise.

Recommendation 2.2: The chairperson should be an independent director and;

Recommendation 2.3: The roles of the Chairperson and Chief Executive Officer should not be exercised by the same individual.

The current chairman is an independent director. There is currently no chief executive officer and the company is searching for a new chief executive officer.

Recommendation 2.4: The board should establish a nomination committee

Due to the company's limited size and lack of complexity, the board has adopted the position that this responsibility should be fulfilled by the full board.

Recommendation 2.5: Disclose the process for evaluating the performance that this responsibility should be fulfilled by the full board.

PRINCIPLE 3 – Promote ethical and responsible decision making

Recommendation 3.1: Establish a code of conduct to guide the Directors, the Chief Executive Officer and any other key executives.

The company recognises its corporate regulatory responsibilities, and has developed and maintained the necessary systems and operational procedures and protocols to ensure it satisfies these obligations.

The board believes that a key driver of corporate governance is to communicate the key polices to management and staff and to monitor and embed them throughout all functions. These policies are monitored and reviewed on an ongoing basis by the board and cover:

a) Employee share trading policies
b) Appropriate levels of disclosure and liaison with shareholders
c) Relationships with customers and suppliers
d) Employment practices of the company

In addition to the above, all directors and senior management strive to ensure that the company:

a) Complies with laws and regulations; and
b) Ethical and environmental responsibilities

Corporate Governance Statement (cont'd)

PRINCIPLE 3 – Promote ethical and responsible decision making (cont'd)

Recommendation 3.2: Disclose the policy concerning trading in company securities by directors, officers, and employees.

The Company has established a "*Share Trading Policy*". This Policy applies to all directors, executives and employees nominated by the board, including external resources appointed to these types of roles on a contractual and/or interim basis. The policy is intended to cover employees, contractual or otherwise and will include:

a) directors, company secretaries and senior executives of the company;
b) accounting officers;
c) staff members who have access to the Company's financial results.

The policy permits directors and senior executives to trade in securities during the 4 week period commencing immediately after the date of announcement of results to the ASX, of the half yearly and annual results and after the conclusion of the Annual General Meeting provided that the person is not in possession of price sensitive information and the trading is not for short term or speculative gain.

Trading in securities by directors, executives and employees as nominated is prohibited at all times other than those set out above except that a person may trade outside the allowable period with written authority from the chairman or a non executive director nominated by the chairman.

A written request for approval is required to be submitted before permission will be given for such trading and only then will approval be provided on the basis that the proposed transaction would not be:

a) contrary to any laws; or
b) for speculative gain; or
c) likely to be perceived as unduly negative or unfair by the public, press, other shareholders or regulatory bodies.

PRINCIPLE 3 – Promote ethical and responsible decision making (cont'd)

Recommendation 3.2: Disclose the policy concerning trading in company securities by directors, officers, and employees. (cont'd)

As a guide, approval to trade may be given where, for example, it can be shown that securities are to be sold to realise cash in a time of need or where securities are transferred from one member of a family or trust to another when to delay the transaction to the next permitted period would be detrimental to the family's affairs.

In addition to any other ASX Listing Rule and Corporation Law requirements, the Policy requires all affected persons to provide the Company with details of any dealings, made by them or related parties, in the Company's securities within 3 days of each transaction.

PRINCIPLE 4 – Safeguard integrity of financial reporting

Recommendation 4.1: The board should establish an audit committee, and

Recommendation 4.2: Structure the audit committee so that it consists of:

a) only non executive directors
b) a majority of independent directors
c) an independent chairperson, who is not chairperson of the board; and
d) at least three members

Corporate Governance Statement (cont'd)

PRINCIPLE 4 – Safeguard integrity of financial reporting (cont'd)

Due to the limited size, lack of complexity and relatively small number of directors, the board has adopted the position that this responsibility should be fulfilled by all members of the board.

The Company's financial report is subject to an annual audit by an independent professional auditor who also reviews the Company's half yearly financial report. The Audit, Risk & Compliance Committee oversees this process on behalf of the Board.

At the date of this report the Committee comprised Mr. Nigel Blaze (Committee Chairman, independent non executive director), Mr. Richard Wadley (Company secretary, independent non executive director) and Mr. Paul Quarrell, (independent non executive director).

The Committee meets at a minimum, on a six monthly basis to review and consider the half-year and full year financial report of the Company. The Company's auditors are actively involved in these meetings. The Directors' Report contains further details on Committee Members skills and qualifications, together with details of meeting attendance.

Recommendation 4.3: *The audit committee should have a formal operating charter.*

The audit committee does not currently have a formal operating charter, although the full board does have in place a formal board charter.

PRINCIPLE 5 – Make timely and balanced disclosure

Recommendation 5.1: *Establish written policies and procedures designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at senior management level for that compliance.*

The Chairman and Company Secretary ensure compliance with the continuous disclosure requirements of the ASX Listing Rules and in particular Listing Rule 3.1, however the Company does not currently have a formal written policy in place and relies on the extensive experience of the board and senior management to ensure ongoing compliance.

PRINCIPLE 6 – Respect the rights of shareholders

Recommendation 6.1: *Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.*

Ongoing communications with shareholders include:

a) The Company maintains a corporate website to inform shareholders on historical information and developments (www.immedical.com).

b) The Company regularly updates and provides details of recent material announcements, annual reports, and general information on the Company and its business to the ASX.

c) The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). A copy of the full annual report is available free of charge, upon request, from the Company. The board ensures that the annual report includes relevant information about the Company's operations during the year, changes in the state of affairs and details of future developments, in addition to the other disclosures required by the *Corporations Act 2001*;

Corporate Governance Statement (cont'd)

PRINCIPLE 6 – Respect the rights of shareholders (cont'd)

d) The half-year report contains summarised financial information and a review of the operations of the Company during the period. The half-year financial report is prepared in accordance with the requirements of Accounting Standards and the Corporations Act, and is lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange; and

e) The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and alignment with the Company's strategy and goals.

Shareholder participation at annual general meetings (AGM) is encouraged and the Company's auditor Deloitte Touche Tohmatsu, are requested to attend the AGM and be available to answer shareholder questions.

PRINCIPLE 7 – Recognise and manage risk

Recommendation 7.1: *The board or appropriate board committee should establish policies on risk oversight and management.*

The Audit, Risk and Compliance Committee have established a policy for risk oversight and management within the Company. This is periodically reviewed and updated.

Recommendation 7.2: *The board should require management to design and implement the risk management and internal control system to manage the company's material business risks.*

The company has the risk management and internal controls appropriate to its business activity.

Recommendation 7.3: *The board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*

The board is confident that the scale, lack of complexity and concentrated location of the Company's business activities provides a model for ensuring that internal control, compliance, and risk management are operating to the required standard and that this view is founded on policies and controls which have adequately supported the board's risk profile for the 2012 financial year.

PRINCIPLE 8 – Remunerate fairly and responsibly

Recommendation 8.1: *The board should establish a remuneration committee.*

Due to the limited size and lack of complexity of the company, the board does not consider that a separate remuneration committee is required and thus does not fully comply with this recommendation.

The board reviews the remuneration packages and policies applicable to the senior officers on an annual basis. The board may also obtain independent advice on the appropriateness of remuneration packages.

Recommendation 8.2: *Clearly distinguish the structure of non-executive directors' remuneration from that of executives.*

The level of remuneration for each director and specified executive is detailed in the directors' report and notes to the financial statements. The principles, details of remuneration and terms of contracts are also outlined in the remuneration report section of the director's report. The appointment of all senior executives and board members is approved by the full board.

Corporate Governance Statement (cont'd)

PRINCIPLE 8 – Remunerate fairly and responsibly (cont'd)

In summary, the board aims to structure total remuneration to take into account:

a) both the short and long term growth and success of the Company;
b) remuneration that is competitive with the market place; and
c) remuneration that is demonstrably linked to the Company's overall performance.

Non-executive Directors are remunerated by way of fees only, they do not receive any additional retirement benefits nor do they currently participate in any other incentive arrangement/s such as the share option plan.

Directors' Report

The directors of IM Medical Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the Company during or since the end of the financial year are:

Mr. Nigel Blaze
Non Executive Director (appointed 22 March 2011)

Mr Nigel Blaze was appointed as a Director of the Company on 22 March 2011 in accordance with Article 13.4 of the Constitution.

Mr Blaze is a Fellow of the Institute of Chartered Accountants and has practised as a Chartered Accountant for approximately 25 years. Mr Blaze commenced his professional accounting career with Ernst & Young and worked firstly in the Business Services area subsequently moving into a management role in their Specialist Taxation Advisory division. Since leaving Ernst & Young, Mr Blaze has acted as a director of the Chartered Accounting firms Griffiths and Co and McLean Manuell before establishing his own firm in January 2000.

Mr Blaze is currently the managing director of Blaze BMD Pty Ltd, Accountants and Business Advisors and has extensive commercial advisory experience including specialisation in the medical services sector, property sector, agri-business sector and the retail and manufacturing sectors.

Mr Blaze was, until June 2003, a director of the Blaxland Rural Investments Ltd a company that successfully raised capital and managed a number of agri-business projects prior to the sale of its operations to a predecessor of Seven Fields Management Limited. He has also acted and continues to act as a director on many private company boards and has successfully managed a number of investment projects.

Mr Blaze has acted as Chairman of the Company since 22 March 2011.

Mr Blaze holds a Bachelor of Business (Accounting) degree, a Diploma of Taxation Law from Monash University, and a Certified Financial Planning qualification.

Mr. Blaze held no listed company directorships within the last 3 years before the financial year ended 30 June 2011

Mr. Richard Wadley
Non Executive Director/Company Secretary (appointed 22 March 2011)

Mr Richard Wadley was appointed as a Director of the Company on 22 March 2011 in accordance with Article 13.4 of the Constitution. Mr Wadley was also appointed as the company secretary of the Company.

Mr Wadley FCCA specialises in providing financial and company secretarial services to mainly earlier stage life science companies. He has had extensive experience in the areas of financial management, tax planning, investor relations, technology licensing and capital raisings. He was formerly CFO and company secretary of Biota Holdings Limited and is currently the CFO and company secretary for ASX listed BioDiem Limited. Mr Wadley is also a director of Origin Capital Limited (a pooled development fund). Mr Wadley has practised as a Chartered Accountant and has worked in both stock broking and for the ASX. Mr Wadley was named Chief Financial Officer of the Year in 1998 by C.F.O. Magazine.

Mr. Wadley held no listed company directorships within the last 3 years before the financial year ended 30 June 2011.

Directors' Report (cont'd)

Mr. Paul Quarrell
Non Executive Director (appointed 22 March 2011)

Mr Paul Quarrell was appointed as a Director of the Company on 22 March 2011 in accordance with Article 13.4 of the Constitution.

Mr Quarrell has extensive business experience, specialising in mergers, acquisitions as well as corporate strategy, advice and governance. He has held senior executive positions with NAB/MLC and Ipac (now owned by Axa) as well as a self-employed Consultant working with companies such as Tauro Capital, Challenger, Q Invest, Strategic Capital Management and Seaview Consulting. Mr Quarrell was the managing director of Techdrill Services Pty Ltd, an exploration drilling company which grew its revenue and profit by 700% under his leadership and was a founding partner and director of Lachlan Group Pty Ltd (now known as Westoria Capital), a boutique resource investment company.

After beginning his career as a financial adviser, Mr Quarrell was appointed acquisitions manager by Ipac and successfully completed the foundation transactions that were aggregated into the significant operation that it has become today. Subsequently Mr Quarrell acted as the principal of his own consulting business and worked on a number of successful advisory projects highlighted by his involvement in the Challenger acquisition and integration team that successfully negotiated and integrated the acquisition of Associated Planners for $100 million.

Mr Quarrell holds a Master of Business Administration (MBA), Bachelor of Economics (Honours), Diploma of Financial Planning (DFP) and Certified Financial Planner (CFP).

Mr. Quarrell held no listed company directorships within the last 3 years before the financial year ended 30 June 2011.

Dr. Mark Scott
Executive Director (appointed 16 August 2010 and resigned on 25 November 2011)

Dr Mark Scott is the founder of Melbourne Specialist Imaging. Dr Scott has over 25 years experience in radiology, specialising in head, neck and dental imaging. Dr Scott has held senior positions in public and private hospitals and has been an independent specialist provider of radiology services since the early 1990's. As current Director of Radiology at the Royal Victorian Eye and Ear Hospital, he is involved in a wide range of ongoing research and training and conducts regular teaching sessions for registrars

Dr Scott held no listed company directorships within the last 3 years before the financial year ended 30 June 2011.

Principal activities

Since the commencement of the 2012 financial year reporting period, the company has raised (before costs) $3.6m through a fully subscribed rights issue and placement. The Company has used the funds to pay down debt and provide working capital. The Company also disposed of its radiology division during the 2012 financial year and all activities were managed by the purchaser from 1 July 2012.

Dividends

No amounts have been paid, declared or recommended by the Company by way of dividend since the commencement of the financial year (2011: Nil).

Directors' Report (cont'd)

Review and results of operations

(a) Overview

Management and the Board monitor the group's overall performance, from its implementation of the mission statement and strategic plan through to the performance of the consolidated entity against operating plans and financial budgets. Key performance indicators have been identified and are used to monitor performance regularly, such that appropriate action can be taken to address any performance issues.

(b) Review and results of operations

For the year ended 30 June 2012 the consolidated entity and the company incurred a net loss of $883,813 and $1,199,776 respectively and incurred negative cash flows from operations of $2,100,166 and $2,314,144 respectively. As at 30 June 2012 the consolidated entity has current assets in excess of its current liabilities by $672,221 (2011: $592,893), and the company has current assets in excess of its current liabilities amounting to $351,673 (2011: $588,308). As at 30 June 2012 the consolidated entity and the company have accumulated losses of $21,138,728 and $21,459,276 respectively.

(c) Future development

The directors are focusing on new opportunities to restore and create shareholder value. The Company intends to investigate acquisition and investment opportunities which may take the Company away from its medical and technology focus, and could include opportunities in other sectors. The Board will review its composition as opportunities are identified with the objective of bringing appropriate skills and experience to the Board to better position the Company to implement its revitalisation strategy going forward.

(d) Review of financial conditions

Since the commencement of the 2012 financial year reporting period, the company has raised (before costs) $3.6m through a fully subscribed rights issue and placement. The Company has used the funds to pay down debt and provide working capital. The Company also disposed of its radiology division during the 2012 financial year.

(e) Risk management and corporate governance practices

The Board has delegated to the Audit, Risk and Compliance Committee responsibility for overseeing the implementation of policies and procedures aimed at ensuring that the consolidated entity conducts its operations in a manner that manages risk to protect its people, the environment, consolidated entity assets and reputation as well as to realise opportunities. The Company's policy is to consider the balance of risk and reward, as far as practicable, in order to optimize the returns gained from its business activities and to meet the expectations of its shareholders.

Change in the state of affairs

Since the commencement of the 2012 financial year reporting period, the company has raised (before costs) $3.6m through a fully subscribed rights issue and placement. The Company has used the funds to pay down debt and provide working capital. The Company also disposed of its radiology division during the 2012 financial year.

Environmental regulation and performance

The Company is involved in medical research and development in the advancement of human health, and the activities of the Company do not create any significant environmental impact. The Company's medical research activities are in full compliance with all prescribed environmental regulations.

Directors' Report (cont'd)

Share options

As at the date of this report, there were 811,906,198 (2011: 4,741,862,273) unissued ordinary shares of IM Medical Limited under options.

Since the 30th June 2011 financial year the Company issued 717,799,736 options under the terms of the rights issue, 73,600 options have been exercised and 457,188 options lapsed.

Shares issued as a result of the exercise of options

During the year ended 30 June 2012, 73,600 fully paid ordinary shares were issued by IM Medical Limited as a result of exercised options. During the year ended 30 June 2011, no fully paid ordinary shares were issued by IM Medical Limited as a result of exercised options.

Indemnification and insurance of directors and officers

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, and all the executive officers of the company and of any related body corporate against liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or any related body corporate against a liability incurred as such an officer or auditor.

Directors' meeting

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, there were a total of 11 Board meetings held. The held column in the table below indicates the number of board meetings held whilst that director was in office.

Director	**Board of Directors**		**Audit Risk and Compliance**	
	Held	Attended	Held	Attended
M. Scott	9	-	-	-
N. Blaze	11	11	2	2
R. Wadley	11	11	2	2
P. Quarrell	11	11	2	2

Director's shareholding

The following table sets out each director's relevant interest in shares or options in shares of the Company or a related body corporate as at the date of this report.

Director	**Ordinary shares**	**Options over ordinary shares**
N. Blaze	-	-
R. Wadley	-	-
P. Quarrell	-	-

Remuneration Report (Audited)

This report which forms part of the directors' report outlines the remuneration arrangements in place for directors and executives of IM Medical Limited for the financial year ended 30 June 2012.

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To that end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Focus on creating sustained shareholder value;
- Significant portion of executive remuneration "at risk", is dependent upon meeting predetermined performance benchmarks; and
- Differentiation of individual rewards commensurate with contribution to overall results and according to individual accountability, performance and potential.

During the year, a review of the reward structures has been conducted against the backdrop of these philosophies and against the Company's growth strategies and corporate governance principles. As a result, a number of changes are planned to be incorporated into future remuneration arrangements for both new and existing directors and executives.

In the absence of a specific Remuneration Committee, the Board of Directors accepts direct responsibility for determining and reviewing compensation arrangements for the directors, chief executive officer (CEO) and the senior management team. The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration structure

In line with best practice corporate governance, the structure of non executive director, executive director and senior manager remuneration is separate and distinct.

Non executive director remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 25 November 2004 when shareholders approved an aggregate remuneration of $250,000.

Remuneration Report (Audited) (cont'd)

Non executive director remuneration (cont'd)

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers any advice received from external consultants as well as the fees paid to non executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company and is entitled to be paid an additional fee for each Board Committee on which the director sits. The entitlement to the additional fees for serving on a committee recognises the additional time commitment required by directors in discharging their responsibilities to the board.

Senior management and executive director remuneration

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the company; and
- Ensure total remuneration is competitive by market standards.

The executive remuneration program is designed to support the Company's reward philosophies and to underpin the Company's growth strategy. The program comprises the following components:

- Fixed remuneration component
- Variable remuneration component including short term incentive (STI) and long term incentive (LTI)

Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and shares. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Variable remuneration – short term incentive (STI)

The objective of the STI program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Company is reasonable.

Actual STI payments granted to each senior manager depend on the extent to which specific operating targets set at the beginning of the year are met. The operational targets consists of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance. Typically included are measures such as contribution to revenue, net profit after tax, customer service, risk management, product management, leadership and team contribution. The Company has predetermined benchmarks which must be met in order to trigger payments under the short term incentive scheme.

Remuneration Report (Audited) (cont'd)

Senior management and executive director remuneration (con'd)

On an annual basis, after consideration of performance against KPIs, an overall performance rating for the Company is approved by the Board. The individual performance of each executive is also rated and taken into account when determining the amount, if any, of the short term incentive pool allocated to each executive. The aggregate of annual STI payments available for executives across the Company are usually delivered in the form of a cash bonus. In the 2012 year, no payments have been made (2011: nil) under the STI program.

Variable remuneration – long term incentive (LTI)

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against relevant long term performance hurdles. LTI granted to executives are delivered in the form of options or shares. In the 2012 year, no issue of options or shares has been made (2011: nil) under the LTI plan.

Relationship between the remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives.

However, no base remuneration of key management personnel or directors is dependent or related to company performance. The following table shows the gross revenue, losses, share price and dividends for the last five years for the consolidated entity.

Consolidated	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Revenue	26,315	8,877	75,478	429,994	1,110,646
Net loss before tax	(883,813)	(4,068,842)	(1,686,566)	(2,431,847)	(5,472,046)
Net loss after tax	(883,813)	(4,068,842)	(1,686,566)	(2,451,565)	(5,468,358)

Consolidated	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Share price at start of year	$0.001	$0.001	$0.004	$0.016	$0.019
Share price at end of year	$0.002	$0.001	$0.001	$0.004	$0.016
Interim and final dividend	-	-	-	-	-
Basic earnings per share (cents)	(0.0015)	(0.08)	(0.10)	(0.19)	(0.46)
Diluted earnings per share (cents)	(0.0015)	(0.08)	(0.10)	(0.19)	(0.46)

Remuneration Report (Audited) (cont'd)

Key management personnel

- *Details of key management personnel*

Names and positions held of key management personnel in office at any time during the financial year are:

- Dr Mark Scott (Executive Director, Appointed 16 August 2010, Resigned 25 November 2011)
- Mark Reynolds (Chief Financial Officer, Appointed 1 October 2010. Resigned 18 December 2011)
- Nigel Blaze (Non executive director, Appointed 23 March 2011)
- Richard Wadley (Non executive director, Appointed 23 March 2011)
- Paul Quarrell (Non executive director, Appointed 23 March 2011)

The compensation of each member of the key management personnel of IM Medical Limited for the current year is set out below.

	Short term employee benefits			**Share Based Payments**	**Post employment benefits**	**Termination benefits**	**Total**
2012	Salary & fees $	Non – Monetary $	Other Cash Benefits $	$	Superannuation $	$	$
Non executive Directors							
N Blaze	71,862	-	-	-	-	-	71,862
R Wadley	74,890	-	-	-	-	-	74,890
P Quarrell	56,367	-	-	-	-	-	56,367
Total	203,119	-	-	-	-	-	203,119
Executive Director							
M Scott	-	-	-	-	-	-	-
Executive officers							
M Reynolds	54,166	-	-	-	5,411	-	59,577
Total	257,285				5,411		262,696
							262,696

2011	Short term employee benefits			Share Based Payments (*)	Post employment benefits	Termination benefits	Total
	Salary & fees $	Non – Monetary $	Other Cash Benefits $	$	Superannuation $	$	$
Non executive Directors							
D Sanghvi (Resigned 4 February 2011)	14,583	-	-	-	-	-	14,583
C Cook (Resigned 4 February 2011)	14,583	-	-	-	-	-	14,583
R Walker (Resigned 29 September 2010)	-	-	-	-	6,250	-	6,250
P Jess (Resigned 23 March 2010)	6,250	-	-	-	-	-	6,250
N Blaze	6,731	-	-	-	-	-	6,731
P Quarrell	6,250	-	-	-	-	-	6,250
R Wadley	6,250	-	-	-	-	-	6,250
Total	**54,647**	**-**	**-**	**-**	**6,250**	**-**	**60,897**
Executive officers							
R Najdecki (Resigned 30 September 2010)	62,613	-	-	30,000	5,635	-	98,248
M Scott	417,083	-	-	-	-	-	417,083
S Del Vecchio (Resigned 23 March 2011)	135,705	-	-	-	10,688		146,393
M Reynolds	72,179	-	-	15,000	6,496	-	93,675
Total	**687,580**	**-**	**-**	**45,000**	**22,819**	**-**	**755,399**
							816,296

(*) Bonus/Wages paid in ordinary shares. Refer note 5(b)(ii) relating to the year ended 30 June 2011.

Remuneration Report (Audited) (cont'd)

Key management personnel (cont'd)

Key terms of employment contracts

All executives of the Company are employed under a letter of appointment / service agreements with a minimum 1 month (or otherwise mutually agreed time period) notice period required to terminate the appointment. The letters of appointment do not contain specified option incentive entitlements.

Other major provisions of the agreements relating to remuneration are set out below.

Mark Reynolds, Chief Financial Officer

• Term of the agreement – full-time permanent.

• Base salary, inclusive of superannuation is $109,000

• Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 3 months fixed remuneration.

End of Audited Remuneration Report

Employees

The consolidated entity didn't have any employees as at 30 June 2012. (2011: 38 employees). On completion of the disposal of the radiology division to Capitol Health Limited, 37 of the employees were reassigned to Capitol Health Limited.

Proceedings on Behalf of Company

No person has applied for leave of the Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the entity, the results of those operations or the state of affairs of the entity in future financial years.

Non-audit services

The directors are satisfied that the provision of non-audit services during the year, by the auditor (or any person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors' reasons for being satisfied that the provision of the non-audit services did not compromise the auditor independence requirements of the Act are:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and

Directors' Report (cont'd)

- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 8 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 22 of the financial report.

Signed in accordance with a resolution of the directors made pursuant to s298 (2) of the Corporations Act 2001.

On behalf of the Directors:

Nigel Blaze
Chairman
Melbourne, 30 August 2012

Deloitte.

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The Board of Directors
IM Medical Limited
Level 10, South Tower, 459 Collins St.
MELBOURNE VIC 3000

30 August 2012

Dear Board Members

IM Medical Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of IM Medical Limited.

As lead audit partner for the audit of the financial statements of IM Medical Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Rachel Smith
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of IM Medical Limited

Report on the Financial Report

We have audited the accompanying financial report of IM Medical Limited, which comprises the statement of financial position as at 30 June 2012,the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 25 to 67.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Deloitte

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of IM Medical Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of IM Medical Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 20 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion the Remuneration Report of IM Medical Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Rachel Smith
Partner
Chartered Accountants
Melbourne, 30 August 2012

Directors' Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto, are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and give a true and fair view of the financial position and performance of the company and of the consolidated entity;

(c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as described in Note 1 to the financial statements; and

(d) the directors have been given declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s295 (5) of the Corporations Act 2001.

On behalf of the Directors

Nigel Blaze
Chairman

Melbourne
30 August 2012

Statement of comprehensive income for the financial year ended 30 June 2012

	Notes	Consolidated		Company	
		2012	2011	2012	2011
		$	$	$	$
Continuing operations					
Revenue from continuing operations	2	26,315	8,877	24,665	2,962
Depreciation and amortisation	3	-	(170,220)	-	(10,016)
Impairment of non-current assets	3	-	(7,991)	(49,977)	(2,726,143)
Corporate administration	3	(285,788)	(544,064)	(463,612)	(525,249)
Travel and entertainment		-	(10,336)	-	(9,497)
Office occupancy and administration		(95,096)	(99,355)	(95,096)	(99,355)
Consultancy fees		(153,087)	(163,449)	(153,087)	(163,449)
Director expenses		(70,833)	(60,895)	(70,833)	(60,895)
Employee benefits	3	(93,706)	(385,904)	(62,506)	(325,731)
Finance costs	3	(25,797)	(1,237)	(25,797)	(1,237)
Convertible note expenses	18	-	(165,616)	-	(165,616)
Other expenses		(53,710)	(15,000)	(52,082)	(15,000)
		(778,017)	(1,624,067)	(972,990)	(4,102,188)
Loss before income tax		(751,702)	(1,615,190)	(948,325)	(4,099,226)
Income tax (expense)/benefit	4	-	-	-	-
Loss for the year from continuing operations		(751,702)	(1,615,190)	(948,325)	(4,099,226)
Discontinued Operations					
Loss from discontinued operations	7	(132,111)	(2,453,652)	(251,451)	-
Total comprehensive loss for the year		(883,813)	(4,068,842)	(1,199,776)	(4,099,226)
Earnings per share					
From continuing and discontinuing operations:					
Basic earnings (loss) per share (cents per share)	17	(0.0015)	(0.08)		
Diluted earnings (loss) per share (cents per share)	17	(0.0015)	(0.08)		
From continuing operations:					
Basic earnings (loss) per share (cents per share)	17	(0.0013)	(0.03)		
Diluted earnings (loss) per share (cents per share)	17	(0.0013)	(0.03)		

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2012

	Notes	Consolidated		Company	
		2012 $	2011 $	2012 $	2011 $
Current assets					
Cash and cash equivalents	24(a)	633,753	382,598	338,829	301,652
Trade and other receivables	9	13,242	41,553	12,943	-
Prepayments		47,411	50,621	47,411	50,621
Assets classified as held for sale	7	60,000	2,093,482	-	-
Total current assets		754,406	2,568,254	399,183	352,273
Non current assets					
Trade and other receivables	10	-	-	-	1,591,409
Other financial assets	11	-	-	100	100
Plant and equipment	12	-	168,630	-	-
Total non current assets		-	168,630	100	1,591,509
Total assets		754,406	2,736,884	399,283	1,943,782
Current liabilities					
Trade and other payables	13	82,185	938,736	47,610	431,648
Borrowings	14	-	2,457	-	2,457
Convertible note	18	-	915,616	-	915,616
Provisions	15	-	5,753	-	5,753
Liabilities classified as held for sale	7	-	281,429	-	-
Total current liabilities		82,185	2,143,991	47,610	1,355,474
Non current liabilities					
Other		-	-	-	-
Total non current liabilities		-	-	-	-
Total liabilities		82,185	2,143,991	47,610	1,355,474
Net assets		**672,221**	**592,893**	**351,673**	**588,308**
Equity					
Issued capital	5	21,810,949	20,847,808	21,810,949	20,847,808
Accumulated losses	16	(21,138,728)	(20,254,915)	(21,459,276)	(20,259,500)
Total equity		**672,221**	**592,893**	**351,673**	**588,308**

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the financial year ended 30 June 2012

Consolidated	Note	Issued capital $	Accumulated losses $	Total $
Balance at 1 July 2010		16,251,524	(16,186,073)	65,451
Total comprehensive loss for the year		-	(4,068,842)	(4,068,842)
Movements in shares on issue	5	4,596,284	-	4,596,284
Balance as 30 June 2011		**20,847,808**	**(20,254,915)**	**592,893**
Total comprehensive loss for the year		-	(883,813)	(883,813)
Equity raisings (less transaction cost)	5	3,268,658	-	3,268,658
Capital Reduction	5	(2,306,253)	-	(2,306,253)
Exercise of options	5	736	-	736
Balance as 30 June 2012		**21,810,949**	**(21,138,728)**	**672,221**

Company	Note	Issued capital $	Accumulated losses $	Total $
Balance at 1 July 2010		16,251,524	(16,160,274)	91,250
Total comprehensive loss for the year		-	(4,099,226)	(4,099,226)
Movements in shares on issue	5	4,596,284	-	4,596,284
Balance as 30 June 2011		**20,847,808**	**(20,259,500)**	**588,308**
Total comprehensive loss for the year		-	(1,199,776)	(1,199,776)
Equity raisings (less transaction cost)	5	3,268,658	-	3,268,658
Capital Reduction	5	(2,306,253)	-	(2,306,253)
Exercise of options	5	736	-	736
Balance as 30 June 2012		**21,810,949**	**(21,459,276)**	**351,673**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the financial year ended 30 June 2012

	Notes	Consolidated		Company	
		2012	2011	2012	2011
		$	$	$	$
Cash flows from operating activities					
Receipts from customers		54,626	3,740,715	11,721	-
Payments to suppliers and employees		(2,149,817)	(4,661,850)	(2,319,240)	(1,090,535)
Interest received		20,822	3,742	19,172	2,862
Interest paid		(25,797)	(4,995)	(25,797)	(1,237)
Net cash flows used in operating activities	24(b)	(2,100,166)	(922,388)	(2,314,144)	(1,088,910)
Cash flows from investing activities					
Payment for plant and equipment		-	(127,235)	-	-
Amounts advanced to related parties		-	-	-	-
Proceeds from the sale of Plant & Equipment		-	32,235	-	100
Amounts advanced from related parties		-	-	-	97,330
Net cash flows (used in)/provided by investing activities		-	(95,000)	-	97,430
Cash flows from financing activities					
Proceeds from issue of shares	5(b)(i)	3,588,998	587,600	3,588,998	587,600
Proceeds from convertible note	18	-	750,000	-	750,000
Proceeds from borrowings		-	104,500	-	-
Capital raising costs	5(b)	(320,340)	(57,156)	(320,340)	(57,156)
Repayment of borrowings		(918,073)	(14,258)	(918,073)	(8,865)
Exercise of options	5(b)	736	-	736	-
Net cash flows from financing activities		2,351,321	1,370,686	2,351,321	1,271,579
Net increase in cash held		251,155	353,298	37,177	280,099
Cash at beginning of the year		382,598	29,300	301,652	21,553
Cash at the end of the year	24(a)	**633,753**	**382,598**	**338,829**	**301,652**

The accompanying notes form part of these financial statements.

Notes to the financial statements

Note **Contents**

1. Summary of significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (‘A-IFRS’). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards (‘IFRS’).

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non current assets and financial instruments. Cost is based on the fair values of the consideration in exchange for assets.

The financial report has been prepared on a going concern basis which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business and at the amounts stated in the financial report. IM Medical Limited is a public company limited by shares. The financial report is presented in Australian dollars. IM Medical Limited was incorporated in Australia and is the parent entity whose shares publicly trade on the ASX. The financial report covers both IM Medical Limited as an individual entity and IM Medical Limited and its controlled entities as a group of entities.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies have been consistently applied unless otherwise stated.

Going concern basis

The financial statements are prepared on a going concern basis, which contemplates the continuity of normal business activities, and the realisation of assets and the settlement of liabilities in the ordinary course of business.

At 30 June 2012 the consolidated entity and the company have an excess of current assets over current liabilities of $672,221 and $351,673 respectively (2011: consolidated entity $592,893 and company $588,308). For the year ended 30 June 2012 the consolidated entity and company recorded net losses of $883,813 and $1,199,776 respectively (2011 Net Losses: consolidated entity $4,068,842 and company $4,099,226). As at 30 June 2012 the consolidated entity and the company have accumulated losses of $21,138,728 and $21,459,276 respectively and incurred negative cash flows from operations of $2,100,166 and $2,314,144 respectively.

To continue as a going concern the company and consolidated entity require the generation of sufficient funds from operating activities. Various initiatives have continued during the year which are expected to improve financial performance in the years ahead. These initiatives include carrying out due diligence on potential investments.

Summary of significant accounting policies (con't)

As at the date of signing the financial report the above initiatives are in progress. The Directors consider that the forecast results for 2013 are achievable and that the cashflows generated from operations and the initiatives above will enable continuation of the company and consolidated entity as going concerns.

In the event that the above initiatives do not eventuate or do not generate sufficient cashflows from operations there is significant uncertainty as to whether the company and consolidated entity will be able to continue as going concerns. If the company and consolidated entity are unable to continue as going concerns they may be required to realize their assets and extinguish their liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

The financial statements do not include adjustments, if any, relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the company and consolidated entity not continue as going concerns.

Changes in accounting policies on initial application of Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out as follows.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a. Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 20 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entities. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits/losses arising within the consolidated entity ("Group") are eliminated in full.

b. Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount and shown within borrowings in current liabilities in the Statement of Financial Position. Interest is charged as an expense as it accrues.

c. Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. Receivables from related parties are recognised and carried at the nominal amount due less any impairment provision.

Summary of significant accounting policies (con't)

d. Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Impairment testing is performed annually for goodwill, and intangible assets with indefinite lives. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

e. Plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment and is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its estimated useful life to its estimated residual value. Depreciation on leasehold improvements is based on the shorter of useful life or lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

The following depreciation rates are used in the calculation of depreciation:

Depreciation rates are:	**2012**	**2011**
Leasehold improvements	7% to 20%	7% to 20%
Computer equipment	25% to 40%	25% to 40%
Plant and equipment	5% to 30%	5% to 30%
Equipment under lease	7.5% to 15%	7.5% to 15%

f. Investment in subsidiaries

In the separate financial statements of IM Medical Limited, investments in subsidiaries, that are not classified as held for sale or included in a disposal group classified as held for sale, are accounted for at cost less impairment.

Summary of significant accounting policies (con't)

g. Trade and other payables

Trade payables and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

h. Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

i. Issued capital

Ordinary issued capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

j. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- *Rendering of services* – Revenue from the rendering of services is recognised in the statement of comprehensive income when the service is performed and there are no unfulfilled service obligation that will restrict the entitlement to receive the sales consideration.
- *Interest* - Control of the right to receive the interest payment.
- *Dividends* - Control of the right to receive the dividend payment.

k. Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base for those items.

Summary of significant accounting policies (con't)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the assets and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company and its wholly owned Australian resident entities are part of a tax consolidated group formed on 21 September 2004 under Australian taxation law. IM Medical Limited is the head entity in the tax consolidated group. Tax expense/income, deferred tax assets and deferred tax liabilities arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the company (as head entity in the tax consolidated group).

Due to the existence of a tax funding arrangement and a tax sharing agreement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the company. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Tax losses

Based on the probability test required under Australian Accounting Standards the directors have determined that the deferred tax asset relating to revenue tax losses will not be recognised on the statement of financial position.

Summary of significant accounting policies (con't)

l. Employee benefits

A liability is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Contributions to defined contribution plans are expensed when employees have rendered service entitling them to the contributions.

m. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit/loss attributable to equity holders of the company for the financial period, after excluding any costs of servicing equity (other than ordinary shares) by the weighted average number of ordinary shares of the company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with the dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares of the Company adjusted for any bonus issue.

Where a net loss is made for the period, basic EPS and diluted EPS are the same, because, the inclusion of options in the earnings per share calculations does not result in further dilution.

n. Intangible assets

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred. An intangible asset arising from development is recognised if, and only if, all of the following are demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial, and other resources to complete the development and use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Licences

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. Licences are amortised over the life of the licence agreement.

Summary of significant accounting policies (con't)

o. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful life where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as an expenses on a straight line basis over the life of the lease.

p. Critical accounting estimates and judgements

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

Judgments made in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable in the relevant notes to the financial statements.

Tax Losses

Based on the probability test required under Australian Accounting Standards the directors have determined that the deferred tax asset relating to revenue tax losses do not meet the criteria for recognition as an asset.

q. Adoption of new and revised accounting standards

1. Standards and Interpretations affecting amounts reported in the current year (and/or prior years)

No new and revised Standards and Interpretations have been adopted in the current year that have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section (ii) below.

(i) Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

(ii) Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Summary of significant accounting policies (con't)

(q) Adoption of new and revised accounting standards (cont'd)

AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs. Amendments to AASB 107 'Statement of Cash Flows'. The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Group is a for-profit or not-for-profit entity.

(ii) Standards and Interpretations adopted with no effect on financial statements

Amendments to AASB 7 'Financial Instruments: Disclosure' (adopted in advance of effective date of 1 January 2011)	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to arange of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.

Summary of significant accounting policies (cont'd)

(q) Adoption of new and revised accounting standards (cont'd)

(iii) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 200911: 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 January 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2013	30 June 2014
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2013	30 June 2014

No significant impact is expected on the Group's results with present activity.

Summary of significant accounting policies (cont'd)

(r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

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

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

(s) Share –based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statement of comprehensive income over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve. No amount has been recognised in the financial statements in respect of the other equity-settled shared-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(t) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Summary of significant accounting policies (cont'd)

Business combinations (con't)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the statement of comprehensive income. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(u) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(v) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(w) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Summary of significant accounting policies (cont'd)

Financial instruments issued by the company (con't)

Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon the instruments reaching maturity. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of:

- the amount of the obligation under the contract, as determined under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and
- the amount initially recognised less, where appropriate, cumulative amortisation in accordance with the revenue recognition policies described in note 1(j).

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is held for trading if:

it has been incurred principally for the purpose of repurchasing in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading is designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments:

Summary of significant accounting policies (cont'd)

Financial instruments issued by the company (con't)

Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(w) Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1(a) to (w), the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Assets held for sale

The remaining assets held for sale relating to the Intelliheart Pty Ltd subsidiary is valued at $60,000. The directors have reviewed the Group's assets held for sale and obtained an independent valuation to support the value of these assets.

2. Revenue from continuing operations

	Consolidated 2012 $	Consolidated 2011 $	Company 2012 $	Company 2011 $
Revenue				
Revenue from rendering of services	5,493	5,915	-	-
	5,493	5,915	-	-
Other revenue				
Interest revenue – Bank deposits	20,822	2,862	24,665	2,862
	20,822	2,862	24,665	2,862
Other income				
Profit (loss) on sale of non current assets	-	100	-	100
	-	100	-	100
Total revenue from continuing operations	**26,315**	**8,877**	**24,665**	**2,962**

3. Loss for the year before income tax from continuing operations

Loss for the year from continuing operations has been arrived at after charging the following expenses, gains and losses

	Consolidated 2012 $	Consolidated 2011 $	Company 2012 $	Company 2011 $
(a) Expenses				
Depreciation of non current assets:				
Computer equipment	-	-	-	-
Plant and equipment	-	165,851	-	5,647
Equipment under lease	-	4,369	-	4,369
Total depreciation of non current assets	-	170,220	-	10,016
Impairment losses on non current assets:				
Impairment loss on loan to related entities	-	-	49,977	2,718,152
Impairment of impairment loss	-	7,991	-	7,991
Impairment of plant & equipment (note7)	108,630			
Total impairment reversals on non current Assets	108,630	7,991	49,977	2,726,143
Total depreciation, amortisation and impairment	**108,630**	**178,211**	**49,977**	**2,736,159**
Accounting, auditing and other expenses	153,124	479,045	330,948	460,230
Share registry and listing expenses	132,664	65,019	132,664	65,019
Total corporate administration	**285,788**	**544,064**	**463,612**	**525,249**
Interest on obligations under finance leases	25,797	1,237	25,797	1,237
Total Finance costs	**25,797**	**1,237**	**25,797**	**1,237**
Post –employment benefits				
Defined contribution plans	5,412	23,724	5,412	23,724
Share based payments	-	221,600	-	221,600
Other employee benefits	88,294	140,580	57,094	80,407
Total Employee benefits	**93,706**	**385,904**	**62,506**	**325,731**

Loss for the year before income tax from continuing operations (cont'd)

	Consolidated 2012 $	Consolidated 2011 $	Company 2012 $	Company 2011 $
(b) Gains and losses – Discontinued				
(Loss)/Gain on disposal of plant and equipment	-	27,555	-	-
Total Gains and Losses	**-**	**27,555**	**-**	**-**

4. Income Tax

	Consolidated 2012 $	Consolidated 2011 $	Company 2012 $	Company 2011 $
(a) Income tax recognised in the statement of comprehensive income				
Tax expense/(income) comprises:				
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-	-	-
Total tax expense/(income) in the Statement of Comprehensive Income	-	-	-	-
(b) The prima facie income tax expense on pre-tax accounting profit (loss) from operations reconciles to the income tax expense / (income) in the financial statements as follows:				
Loss from operations	(883,813)	(4,068,842)	(1,199,776)	(4,099,226)
Income tax benefit calculated at 30% (2011: 30%)	(265,144)	(1,220,653)	(359,933)	(1,229,768)
Non deductible expenses	-	-	-	-
Tax losses not recognised as deferred tax assets	265,144	1,220,653	359,933	1,229,768
Income tax expense/(income)	-	-	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Consolidated 2012 $	Consolidated 2011 $	Company 2012 $	Company 2011 $
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and recognised directly into equity	-	-	-	-
(d) Deferred tax balances				
Deferred tax assets comprise:				
Temporary differences				
Accruals	-	-	-	-
Provisions	-	-	-	-
Total Temporary differences	-	-	-	-
(e) Unrecognised deferred tax balances				
The following deferred tax assets have not been brought to account as assets:				
Tax losses	790,398	5,176,227	885,187	5,185,342

Income Tax (cont'd)

	Consolidated		Company	
(f) Franking account balance	**2012 $**	**2011 $**	**2012 $**	**2011 $**
Franking account balance	-	-	-	-

Tax consolidation

The company and its wholly owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is IM Medical Limited. Entities within the tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, IM Medical Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group. The tax sharing agreement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

5. Issued Capital

	Company 30 June 2012		Company 30 June 2011	
	Number	**$**	**Number**	**$**
(a) Issued capital				
Ordinary shares fully paid	828,437,692	21,810,949	5,527,476,886	20,847,808
Share option reserve	811,906,198	-	4,731,862,273	-
		21,810,949		**20,847,808**
(b) Movements in shares on issue				
Balance at beginning of the financial period	5,527,476,886	20,847,808	1,947,430,079	16,251,524
Share consolidation (refer note **(iv)** below)	(5,416,926,930)	-	-	-
Equity raisings **(i)**	717,814,136	3,588,998	539,666,666	587,600
less transaction costs	-	(320,340)	-	(226,486)
Issue of ordinary shares in lieu of services **(ii)**	-	-	218,000,000	221,600
Issue of ordinary shares Equipment Licence Agreement (Note 6)	-	-	1,600,000,000	2,482,714
Issue of ordinary shares Mark Scott Group (Note 6)	-	-	1,222,380,141	1,530,856
Exercise of options (refer Note [c] below)	73,600	736	-	-
Capital reduction **(iii)**	-	(2,306,253)	-	-
Balance at the end of the financial period	**828,437,692**	**21,810,949**	**5,527,476,886**	**20,847,808**

(i) Equity raisings
Year ended 30 June 2012

Date	Details	Number	Issue price	$
7 November 2011	Entitlement Issue	663,314,136	$0.005	3,316,498
7 November 2011	Placement	54,500,000	$0.005	272,500
		717,814,136		3,588,998

Issued Capital (cont'd)

(i) Equity raisings (continued) Year ended 30 June 2011

Date	Details	Number	Issue price	$
22 July 2010	New issue of ordinary shares	30,000,000	$0.0012	36,000
28 July 2010	New issue of ordinary shares	20,000,000	$0.0012	24,000
28 July 2010	New issue of ordinary shares	45,000,000	$0.001	45,000
12 August 2010	New issue of ordinary shares	30,000,000	$0.001	30,000
25 August 2010	New issue of ordinary shares	141,666,666	$0.0012	170,000
31 August 2010	New issue of ordinary shares	48,000,000	$0.0012	57,600
25 November 2010	New issue of ordinary shares	125,000,000	$0.001	125,000
22 December 2010	New issue of ordinary shares	100,000,000	$0.001	100,000
		539,666,666		587,600

(ii) Ordinary shares issued in lieu of services Year ended 30 June 2011

Date	Details	Number	Issue price	$
19 Aug 2010	Bonus paid to CEO in ordinary shares	30,000,000	$0.001	$30,000
25 Aug 2010	Capital raising fees paid ordinary shares	18,000,000	$0.0012	$21,600
13 Oct 2010	Capital raising fees paid ordinary shares	75,000,000	$0.001	$75,000
25 Nov 2010	Wages paid to CFO in ordinary shares	15,000,000	$0.001	$15,000
22 Dec 2010	Capital raising fees paid ordinary shares	80,000,000	$0.001	$80,000
		218,000,000		$221,600

Movements in shares on issue

30 June 2012 year-end shares on issue
The issue of ordinary shares on 7 November 2011 in (i) above were pre-approved by shareholders at a General Meeting held on 21 October 2011.

30 June 2011 year-end shares on issue
The issues of ordinary shares on 22 July 2010, 28 July 2010, 12 August 2010, 25 August 2919 and 31 August 2010 in (i) above were approved by shareholders at the annual general meeting held on 30 November 2010.
The issues of ordinary shares on 19 August 2010 and 25 August 2010 in (ii) above were approved by shareholders at the annual general meeting held on 30 November 2010.
The issue of ordinary shares on 13 October 2010 in (ii) above were pre-approved by shareholders at the extraordinary general meeting held on 30 July 2010..
The issue of ordinary shares on other dates has not yet been approved by shareholders and have been issued under ASX Listing Rules 7.1 and 7.4.
The issue of ordinary shares on 13 October 2010 in (ii) above were pre-approved by shareholders at the extraordinary general meeting held on 30 July 2010..

(iii) Capital Reduction

On 25 March 2011 the Directors of the company entered into a heads of agreement with Capitol Health Ltd to dispose of the Radiology Division of the consolidated entity. The sale agreement was signed on 13 July 2011 with a variation to the original agreement being signed on 19 September 2011. A further variation to the sale agreement was signed in February 2012 which extended to the completion date of the sale on 28 March 2012 (The price of the Capitol Health Limited shares for the purpose of the disposal was set at 5 April 2012). The sale of the radiology business received shareholder approval at IM Medical Limited's annual general meeting on 23 November 2011.

The consideration payable to the Consolidated entity for the sale of the Radiology Division included the receipt of shares in Capitol Health Ltd, being 45,559,021 ordinary fully paid shares. Under the terms of the Sale Agreement, the Consolidated entity agreed to undertake an in specie distribution of the Capitol Health Ltd shares to eligible shareholders within 3 months of completion of the sale of the Radiology Division. The in specie distribution of the Capitol Health Ltd shares to eligible shareholders is accounted for as a capital reduction under section 256B of the Corporations Act. The 45,559,021 ordinary fully paid shares in Capitol Health Limited Ltd at a price at 5 April 2012 of $0.051 per share totals $2,323,510. Based on the agreement, share parcels below $250 of value and those shares belonging to overseas shareholders will be sold on the open market and the consideration distributed to the shareholders. This resulted in a slight variation to the capital reduction of $2,323,510 to a value of $2,306,253 due to the timing of the sale of the various parcels of shares.

Issued Capital (cont'd)

(iv) Share and Option Consolidation

Following the approval by shareholders at the General Meeting held on August 16, 2011 of Resolution 2 Share Consolidation, the share and option consolidation was performed on the basis that every fifty (50) share be consolidated into one (1) share and that all options on issue be adjusted in accordance with the terms and conditions of the options. The consolidation was performed as follows:

	Shares	Options
Securities on issue at August 16, 2011	5,527,476,886	4,731,862,273
Total following consolidation (1:50)	110,549,956	94,637,245
Total reduction	(5,416,926,930)	(4,637,225,028)

(v) Movements in share options

Unlisted share options consists of the following:

- 1,396,895 options exercisable on or before dates ranging from 26 August 2012 to 21 June 2013 at prices ranging from $0.091 to $0.189 per option.
- 22,847,603 Options exercisable at $0.175 with expiry 12 August 2013.
- 69,935,559 Options exercisable at $0.125 with expiry 12 August 2013.

Listed options consists of the following:

- 717,726,136 Options exercisable at $0.01 with expiry on 30 September 2016.

Options do not carry a right to vote. Voting rights will be attached to the unissued shares when the options have been exercised.

	Company 30 June 2012		Company 30 June 2011	
	Number	$	Number	$
Balance at beginning of the financial year	4,731,862,273	-	92,704,355	-
Share and option consolidation (refer note [iv] above)	(4,637,225,028)			
Granted during the period				
- Acquisition of the Mark Scott Group		-	1,142,380,141	-
- Acquisition of a licence agreement		-	3,200,000,000	-
- Granted under capital raisings	717,799,736	-	296,777,777	-
Exercise of options and transfer to issued capital (refer note [b] above)	(73,600)	-	-	-
Expiration of options	(457,188)	-	-	-
Balance at the end of the financial year	**811,906,193**	**-**	**4,731,862,273**	**-**

6. Prior year acquisition of business

On 16 August 2010 the directors of IM Medical Limited announced the completion of the acquisition of the businesses of Melbourne Specialist Imaging Pty Ltd, Melbourne Radiology Services Ltd, M & J Scott Pty Ltd and Mark Scott Pty Ltd (collectively Mark Scott Group). The Mark Scott Group was owned by Dr Mark Scott, an experienced radiologist based in Melbourne. The acquisition was approved by IM Medical Limited shareholders at a general meeting held on 30 July 2010 and all conditions precedent were completed by 12 August 2010. On 30 July 2010 Mark Scott and Sergio Del Vecchio were appointed as Executive Directors to the Board, as a condition of the acquisition agreement. The businesses of the Mark Scott Group incorporate six radiography centres. The businesses were acquired by the Company's subsidiary, eHealth imaging Pty Ltd.

Consideration – Acquisition of business

	2011
	$
Cash consideration	-
Issue of ordinary shares (i)	1,530,856
Issue of listed options over ordinary shares (ii)	-
Total purchase consideration (iii)	1,530,856

(i) Issue of 1,222,380,141 ordinary shares at the market price at the date of settlement of $0.002 per share. 80,000,000 of the shares issued were free of restriction. The remaining shares of 1,142,380,141 are held in escrow from acquisition date until 16 August 2011. The shares in escrow were discounted by 40% giving a fair value price per share of $0.0012.

(ii) Issue of 1,142,380,141 options over ordinary shares exercisable at $0.0025 per option with a maturity date of three years from the date of issue.

(iii) Acquisition related costs have been excluded from the consideration transferred and have been recognised as an expense in the current or prior period when incurred.

Consideration – Licence Agreement

	2011
	$
Cash consideration	-
Issue of ordinary shares (i)	1,406,785
Issue of partly paid ordinary shares (ii)	1,075,929
Issue of listed options over ordinary shares (ii)	-
Total purchase consideration	2,482,714

(i) Issue of 703,392,468 ordinary shares at a market share price at the date of settlement of $0.002 per share.

(ii) Issue of 896,607,532 partly paid shares at a fair value price of $0.0012 per share at the date of settlement. These shares were subject to escrow from acquisition date until 1 July 2011 and subject to forfeiture by the relevant holder and cancellation by the company if in the period up to 1 July 2011 the company suffers a loss as a consequence of the Mark Scott Group failing to comply with the payment obligations under the licence agreement.

(iii) Issue of 3,200,000,000 listed options with an exercise price of $0.0025 per option with a maturity date of three years from the date of issue.

Prior year acquisition of business (cont'd)

Assets acquired and liabilities assumed at the date of acquisition

	2011 $
Non Current Assets	
Licence Agreement	2,482,714
Medical Equipment	463,876
Plant and Equipment	174,340
Computer Equipment	165,690
Current Liabilities	
Employee Entitlements	(150,000)
Total Net Assets Acquired	**3,136,620**
Consideration transferred – business acquisition	1,530,856
Consideration transferred – licence agreement	2,482,714
Less: fair value of identifiable net assets acquired	(3,136,620)
Goodwill arising on acquisition	**876,950**

Goodwill arose in the acquisition because the acquisition included customer and tele-radiology relationships as part of the acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the group and sold, transferred, or exchanged. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes. There was no net cash outflow arising on acquisition.

Impact of acquisition on the results of the group

Included in the consolidated loss for the year is a loss of $2,453,652 attributable to the business from the Mark Scott Group. Revenue for the period includes $3,708,955 in respect to the business from the Mark Scott Group. Had the acquisition of the Mark Scott Group been effected at 1 July 2010, the revenue of the group from discontinued operations for the year ended 30 June 2011 would have been $4,243,789, and the loss for the period from discontinued operations would have been $2,807,470. The directors consider these "pro-forma" numbers to represent an approximate measure of the performance of the combined group for the financial year.

7. Discontinued Operations

On 25 March 2011 the Directors of the company entered into a heads of agreement with Capitol Health Ltd to dispose of the radiology division of the consolidated entity. The sale agreement was signed on 13 July 2011 with a variation to the original agreement being signed on 19 September 2011. A further variation to the sale agreement was entered into in February 2012 which extended the completion date of the sale to 28 March 2012.

The sale of the radiology business received shareholder approval at IM Medical Limited's annual general meeting on 23 November 2011.

Included in the discontinuing operations below is the Intelliheart business which has been impaired to its estimated sale value of $60,000 with an impairment charge of $108,630 recognised in the statement of comprehensive income. The division has been reclassified as a held for sale asset in the current asset section of the statement of financial position.
The assets and liabilities associated with the radiology division have been de-recognised from the assets held for sale balance on the consolidated entity's statement of financial position as at 30 June 2012 based upon the sale of these assets.

The following were the results for the period of the Radiology and Intelliheart businesses:

	2012 $	2011 $
Revenue (including profit on sale of radiology business)	511,457	3,708,955
Operating expenses	(283,487)	(4,578,269)
Settlement cost	(251,451)	-
Impairment (note 3)	(108,630)	(1,584,338)
Loss before income tax expense	(132,111)	(2,453,652)
Income tax expense	-	-
Loss after income tax expense	(132,111)	(2,453,652)

The following were the cash flows for the period of the discontinued operations:

	2012 $	2011 $
Cash flows from operating activities		
Receipts from customers	-	3,722,699
Payments to suppliers and employees	(143,829)	(3,452,134)
Interest received	-	1,032
Interest paid	-	(3,757)
Net cash flows provided by operating activities	(143,829)	267,840
Cash flows from investing activities		
Proceeds on sale of plant and equipment	-	32,235
Advances to related parties	-	(191,544)
Payment for plant and equipment	-	(127,235)
Net cash flows used in investing activities	-	(286,544)
Cash flows from financing activities		
Proceeds from borrowings	13,000	104,500
Repayment of borrowings	-	(5,330)
Net cash flows provided by financing activities	13,000	99,170
Net increase/(decrease) in cash held	(130,829)	80,466
Cash at beginning of financial period	80,466	-
Cash at end of financial period	(50,363)	80,466

Discontinued Operations (cont'd)

Carrying value of discontinued operations at 30 June 2012

	2012 $	2011 $
Assets		
Goodwill on acquisition	-	876,951
Less provision for impairment	-	(876,951)
	-	-
Plant and equipment	-	174,340
Less accumulated depreciation	-	(11,323)
	-	163,017
Medical equipment	-	586,110
Less accumulated depreciation	-	(51,900)
	-	534,210
Computer equipment	-	165,690
Less accumulated depreciation	-	(27,530)
	-	138,160
Licence fee	60,000	2,482,714
Less accumulated amortization	-	(517,232)
Less provision for impairment	-	(707,387)
	60,000	1,258,095
Amount transferred to assets held for sale	**60,000**	**2,093,482**
Liabilities		
Provision for employee entitlements	-	182,260
Other financial liabilities	-	99,169
Amount transferred to liabilities held for sale	**-**	**281,429**

8) Remuneration of auditors

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Auditor of the parent company				
Auditing or reviewing the financial report (a)	46,425	73,600	46,425	73,600
Taxation services	-	11,812	-	11,812
	46,425	**85,412**	**46,425**	**85,412**

(a) Deloitte Touche Tohmatsu is the auditor of IM Medical Limited.

9. Current trade and other receivables

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Trade receivables	-	41,553	-	-
Less allowance for doubtful debts	-	-	-	-
Net trade receivables	-	41,553	-	-
Goods and services tax recoverable	13,242	-	12,943	-
	13,242	**41,553**	**12,943**	**-**

Ageing of past due trade receivables but not impaired				
30 -60 days	-	41,533	-	-
Total	-	41,533	-	-

10. Non current trade and other receivables

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Loans to subsidiaries	-	-	9,998,809	11,540,241
Provision for impairment loss on loan	-	-	(9,998,809)	(9,948,832)
Loans to subsidiaries are non interest bearing, unsecured and at call	**-**	**-**	**-**	**1,591,409**

11. Non current other financial assets

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Investment in subsidiaries at cost	-	-	100	100
Represented by:				
Investment in eCardio Pty Ltd	-	-	100	100
Investment in subsidiaries at recoverable amount	**-**	**-**	**100**	**100**

IM Medical Limited has a 100% equity interest in eCardio Pty Ltd (2011: 100%). eCardio Pty Ltd was previously known as Cardanal Pty Ltd.

12. Plant & equipment

	Consolidated			
	Computer equipment (at cost) $	Plant and equipment (at cost) $	Equipment under lease (at cost) $	Total $
Gross carrying amount				
Balance at 1 July 2010	146,605	1,295,527	29,291	1,471,423
Additions (i)	165,690	765,450	-	931,140
Disposals	-	(5,000)	-	(5,000)
Assets transferred as held for sale	(165,690)	(760,450)	-	(926,140)
Balance at 30 June 2011	146,605	1,295,527	29,291	1,471,423
Accumulated depreciation				
Balance at 1 July 2010	(146,605)	(953,054)	(24,922)	(1,124,581)
Depreciation expense	(11,323)	(245,061)	(4,369)	(260,753)
Impairment losses	-	(7,991)	-	(7,991)
Disposals	-	(220)	-	(220)
Assets transferred as held for sale	11,323	79,430		90,753
Balance at 30 June 2011	(146,605)	(1,126,896)	(29,291)	(1,302,792)
Net book value				
As at 30 June 2011	**-**	**168,630**	**-**	**168,630**

(i) Of the assets acquired, $803,906 related to the prior year business acquisition. Refer Note 6.

	Consolidated			
	Computer equipment (at cost) $	Plant and equipment (at cost) $	Equipment under lease (at cost) $	Total $
Gross carrying amount				
Balance at 1 July 2011	146,605	1,295,527	29,291	1,471,423
Additions	-	-	-	-
Disposals	-	-	-	-
Balance at 30 June 2012	146,605	1,295,527	29,291	1,471,423
Accumulated depreciation				
Balance at 1 July 2011	(146,605)	(1,126,896)	(29,291)	(1,302,792)
Impairment expense (note 7)	-	(108,631)	-	(108,631)
Transfer to assets held for sale (note 7)	-	(60,000)	-	(60,000)
Balance at 30 June 2012	(146,605)	(1,295,527)	(29,291)	(1,471,423)
Net book value				
As at 30 June 2012	**-**	**-**	**-**	**-**

Plant & equipment (cont'd)

	Company			
	Computer equipment (at cost) $	Plant and equipment (at cost) $	Equipment under lease (at cost) $	Total $
Gross carrying amount				
Balance at 1 July 2010	25,934	47,105	29,291	102,330
Additions	-	-	-	-
Disposals	-	-	-	-
Balance at 30 June 2011	25,934	47,105	29,291	102,330
Accumulated depreciation	(25,934)	(33,467)	(24,922)	(84,323)
Balance at 1 July 2010	-	(5,647)	(4,369)	(10,016)
Depreciation expense	-	(7,991)	-	(7,991)
Impairment losses	-	-	-	-
Disposals	-	-	-	-
Balance at 30 June 2011	(25,934)	(47,105)	(29,291)	(102,330)
Net book value				
As at 30 June 2011	-	-	-	-

	Company			
Gross carrying amount	Computer equipment (at cost) $	Plant and equipment (at cost) $	Equipment under lease (at cost) $	Total $
Balance at 1 July 2011	25,934	47,105	29,291	102,330
Additions	-	-	-	-
Disposals	-	-	-	-
Balance at 30 June 2012	25,934	47,105	29,291	102,330
Accumulated depreciation				
Balance at 1 July 2011	(25,934)	(47,105)	(29,291)	(102,330)
Depreciation expense	-	-	-	-
Impairment losses	-	-	-	-
Disposals	-	-	-	-
Balance at 30 June 2012	(25,934)	(47,105)	(29,291)	(102,330)
Net book value				
As at 30 June 2012	**-**	**-**	**-**	**-**

13. Current trade and other payables

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Trade payables (i)	82,185	774,674	47,610	267,586
Director related accruals	-	164,062	-	164,062
	82,185	938,736	47,610	431,648
	82,185	**938,736**	**47,610**	**431,648**

(i) Amounts stated in Trade payables are on commercial terms and conditions and generally payable in 30 days. Interest is not charged on any amounts overdue. The Group has financial risk management practices in place to ensure that all payables are paid within the credit timeframe.

14. Borrowings

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Current				
Lease liability (note 21)	-	2,457	-	2,457

15. Provisions

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Current				
Employee benefits – Annual leave	-	5,753	-	5,753

16. Accumulated losses

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Balance at beginning of the financial year	(20,254,915)	(16,186,073)	(20,259,500)	(16,160,274)
Net loss attributable to members of the Company	(883,813)	(4,068,842)	(1,199,776)	(4,099,226)
Balance at the end of the financial year	**(21,138,728)**	**(20,254,915)**	**(21,459,276)**	**(20,259,500)**

17. Earnings per share

	Consolidated	
	2012 Cents	2011 Cents
From continuing and discontinuing operations:	Per share	Per share
Basic earnings profit/(loss) per share	(0.0015)	(0.08)
Diluted earnings profit/(loss) per share	(0.0015)	(0.08)
From continuing operations:		
Basic earnings profit/(loss) per share	(0.0013)	(0.03)
Diluted earnings profit/(loss) per share	(0.0013)	(0.03)
Net loss used in the calculation of basic and diluted EPS – Continuing and Discontinuing	(883,813)	(4,068,842)
Net loss used in the calculation of basic and diluted EPS – Continuing Operations	(751,702)	(1,615,190)

	Company	
	Number	Number
Weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings profit/(loss) per share	574,685,193	5,085,843,815
Weighted average number of ordinary shares on issue during the financial year used in the calculation of dilutive earnings profit/(loss) per share	574,685,193	5,085,843,815

Based on market conditions at balance date, the number and nature of potential ordinary shares that are not dilutive are as follows:

- 811,906,193 unlisted options (2011: 4,731,862,273) exercisable on or before various dates at a range of exercise prices per option. Refer note 5(c)

Potential ordinary shares are not dilutive as they would decrease the loss per share.

18. Converting loan

On 15 April 2011 the company entered into an agreement for a $750,000 convertible note. Under the terms of the agreement the loan became due and payable on 16 August 2011 when the resolution to approve its conversion to ordinary shares was not passed. The penalty for this was 20% of the original convertible note and interest becoming payable from the date the note was established. The table below sets out the balance of the converting loan.

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Converting loan	-	750,000	-	750,000
Penalty (i)	-	150,000	-	150,000
Interest (ii)	-	15,616	-	15,616
Balance at the end of the financial year	**-**	**915,616**	**-**	**915,616**

(i) Under the convertible note agreement as the loan did not convert after the EGM on 16 August 2011 due to the resolution to approve its conversion to ordinary shares not being passed, a penalty of 20% of the convertible note amount is incurred.

(ii) Under the convertible loan note agreement as the loan did not convert after the EGM on 16 August 2011 due to the resolution to approve its conversion to ordinary shares not being passed, interest of 10% per annum accrues on the original balance of the convertible loan from the date of establishment being 15 April 2011.

19. Disposal of business

On 25 March 2011 the Directors of the company entered into a heads of agreement with Capitol Health Ltd to dispose of the Radiology Division of the consolidated entity. The sale agreement was signed on 13 July 2011 with a variation to the original agreement being signed on 19 September 2011. A further variation to the sale agreement was signed in February 2012 which extended the completion date of the sale on 28 March 2012.

The sale of the radiology business received shareholder approval at IM Medical Limited's annual general meeting on 23 November 2011.

The consideration payable to the Consolidated entity for the sale of the Radiology Division included the receipt of shares in Capitol Health Ltd, being 45,559,021 ordinary fully paid shares.

a) Consideration received

	Consolidated	
	2012 $	2011 $
Consideration received in cash and cash equivalents	-	-
Shares in Capitol Health Ltd	2,323,510	-
Total consideration received	**2,323,510**	**-**

b) Assets and liabilities disposed

	Consolidated	
	2012 $	2011 $
Total assets classified as held for sale	2,093,482	-
Total liabilities classified as held for sale	(281,429)	-
Net assets disposed	**1,812,053**	**-**

c) Gain on disposal of radiology division

	Consolidated	
	2012 $	2011 $
Consideration received	2,323,510	-
Net assets disposed	(1,812,053)	-
Gain on disposal	**511,457**	**-**

The gain on disposal is included in the profit for the year from discontinued operations in the statement of comprehensive income (see note 7).

20. Subsidiaries

Name of subsidiary	Country of incorporation	2012 Ownership interest	2011 Ownership interest
Intelliheart Pty Ltd (a)	Australia	100%	100%
eCardio Pty Ltd (a)	Australia	100%	100%
eHealth Imaging Pty Ltd (a)	Australia	100%	100%

(a) Members of the tax consolidated group where the head entity is IM Medical Limited

21. Commitments for expenditure

(a) Finance Leases

The finance lease related to plant and equipment with a lease term of five years. The consolidated entity had the option to purchase the equipment for a nominal amount at the conclusion of the leasing arrangement.

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Not later than one year	-	2,526	-	2,526
Later than one year and not later than five years	-	-	-	-
Minimum lease payments	-	2,526	-	2,526
Future finance charges	-	(69)	-	(69)
Liability	-	2,457	-	2,457
Lease liabilities:				
Current (note 14)	-	2,457	-	2,457
	-	2,457	-	2,457

(b) Operating Leases

The operating lease related to the premises and car parking leased at Level 1, 117 Church Street, Hawthorn for use as the company's head office. The lease term was three years and contained market review clauses in the event that the consolidated entity exercised its option to renew. The consolidated entity did not have the right to purchase the leased asset at the expiry of the lease period.

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Not later than one year	-	74,797	-	74,797
Later than one year and not later than five years	-	12,546	-	12,546
Total	-	87,343	-	87,343

22. Dividends

The Directors resolved not to declare any dividends for the year ended 30 June 2012 (2011: Nil).

23. Segment information

The following is an analysis of the Group's revenue and results by reportable operating segment for the years under review.

	Revenue		Segment loss	
	Year ended		Year ended	
	30 June 2012 $	30 June 2011 $	30 June 2012 $	30 June 2011 $
Continuing operations				
Corporate	26,315	2,962	(751,702)	(1,381,074)
Discontinuing operations				
Radiology	511,457	3,708,955	(12,505)	(2,453,652)
Intelliheart tests	-	5,915	(119,606)	(234,116)
Loss before tax			(883,813)	(4,068,842)
Income tax (expense)/benefit			-	-
Consolidated segment revenue and loss for the period	537,772	3,717,832	(883,813)	(4,068,842)

Segment loss represents the loss earned by each segment without allocation of central administration costs and directors' salaries, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by reportable operating segment:

	Assets		Liabilities	
	30 June 2012 $	30 June 2011 $	30 June 2012 $	30 June 2011 $
Discontinuing operations				
Radiology	-	2,215,501	-	752,802
Intelliheart	60,000	169,110	-	35,374
Total segment assets and liabilities	60,000	2,384,611	-	788,176
Corporate assets and liabilities	694,406	352,273	82,185	1,355,815
Total assets and liabilities	754,406	2,736,884	82,185	2,143,991

24. Notes to the statement of cash flows

	Consolidated 2012 $	Consolidated 2011 $	Company 2012 $	Company 2011 $
(a) Reconciliation of cash				
Cash balance comprises:				
- cash at bank	633,753	382,598	338,829	301,652
	633,753	**382,598**	**338,829**	**301,652**
(b) Reconciliation of the operating profit/(loss) after tax to the net cash flows from operations				
(Loss) from ordinary activities after tax	(883,813)	(4,068,842)	(1,199,776)	(4,099,226)
(Gain)/loss on sale of discontinued operations	(511,457)	-	-	-
Loss on distribution of Capitol Health Limited shares - $250 parcels	17,257	(27,555)	-	-
Non-cash items				
Depreciation, amortisation and impairment	108,631	2,386,951	(49,977)	2,736,159
Non cash expense (i)	-	45,000	-	45,000
Change in assets and liabilities net of acquisitions:				
(Increase)/Decrease in receivables	28,311	(11,396)	(677,809)	23,686
(Decrease)/Increase in payables	(856,552)	734,716	(384,039)	219,192
(Decrease)/Increase in employee benefits	(5,753)	18,738	(5,753)	(13,721)
Decrease in prepayments	3,210	-	3,210	-
Net cash flow (used in) operating activities	**(2,100,166)**	**(922,388)**	**(2,314,144)**	**(1,088,910)**

(i) Bonus/Wages paid in ordinary shares. Refer note 5(b)(ii) relating to the year ended 30 June 2011.

(c) Non-cash Financing and Investing Activities

Acquisition of the Mark Scott Group

On 16 August 2010 the directors of IM Medical Limited announced the completion of the acquisition of the businesses of Melbourne Specialist Imaging Pty Ltd, Melbourne Radiology Services Ltd, M & J Scott Pty Ltd and Mark Scott Pty Ltd (collectively Mark Scott Group). The Mark Scott Group was owned by Dr Mark Scott, an experienced radiologist based in Melbourne. The acquisition was approved by IM Medical Limited shareholders at a general meeting held on 30 July 2010 and all conditions precedent were completed by 12 August 2010. On 30 July 2010 Mark Scott and Sergio Del Vecchio were appointed as Executive Directors to the Board, as a condition of the acquisition agreement. The businesses of the Mark Scott Group incorporate six radiography centres. The businesses were acquired by the Company's subsidiary, eHealth imaging Pty Ltd.

Consideration transferred – Acquisition of business

	2011 $
Cash consideration	-
Issue of ordinary shares (i)	1,530,856
Issue of listed options over ordinary shares (ii)	-
Total purchase consideration (iii)	1,530,856

Notes to the statement of cash flows (cont'd)

(c) Non-cash Financing and Investing Activities continued

(i) Issue of 1,222,380,141 ordinary shares at the market price at the date of settlement of $0.002 per share. 80,000,000 of the shares issued were free of restriction. The remaining shares of 1,142,380,141 are to be held in escrow from acquisition date until 16 August 2011. The shares in escrow were discounted by 40% giving a fair value price per share of $0.0012.

(ii) Issue of 1,142,380,141 options over ordinary shares exercisable at $0.0025 per option with a maturity date of three years from the date of issue.

(iii) Acquisition related costs have been excluded from the consideration transferred and have been recognised as an expense in the current or prior period when incurred.

Consideration transferred – Licence Agreement

	2011 **$**
Cash consideration	**-**
Issue of ordinary shares (i)	1,406,785
Issue of partly paid ordinary shares (ii)	1,075,929
Issue of listed options over ordinary shares (ii)	-
Total purchase consideration	2,482,714

(i) Issue of 703,392,468 ordinary shares at a market share price at the date of settlement of $0.002 per share.

(ii) Issue of 896,607,532 partly paid shares at a fair value price of $0.0012 per share at the date of settlement. These shares were subject to escrow from acquisition date until 1 July 2011 and subject to forfeiture by the relevant holder and cancellation by the company if in the period up to 1 July 2011 the company suffers a loss as a consequence of the Mark Scott Group failing to comply with the payment obligations under the licence agreement.

(iii) Issue of 3,200,000,000 listed options with an exercise price of $0.0025 per option with a maturity date of three years from the date of issue.

There were no non cash acquisitions during the financial year ended 30 June 2012.

In-specie distribution

The in-specie distribution as described in note 5 is largely a non-cash transaction, For further details on this transaction refer note 5 (iii).

25. Subsequent Events

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the entity, the results of those operations or the state of affairs of the entity in future financial years.

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26. Contingent liabilities

An entity in the Group is a third defendant in a legal action involving executive health tests conducted in 2006. The directors believe, based on legal advice, that no losses are likely to be incurred as a result of this legal action.

27. Related party disclosures

The names of the directors of the Company during the financial year are:

- Dr Mark Scott (resigned 25 November 2011)
- Nigel Blaze
- Richard Wadley
- Paul Quarrell

(a) *Equity interests in controlled entities*
Details of the percentage of ordinary shares held in controlled entities are disclosed in note 20 to the financial statements.

(b) *Loan disclosures*
There are no related party loans between the disclosing entity and any of the key management personnel.

(c) *Transactions within the wholly owned group*
The wholly owned group includes:

- The ultimate parent entity in the wholly owned group; and
- Wholly owned controlled entities

The ultimate parent company in the wholly owned group is IM Medical Limited.

(d) *Transactions with other related parties*
Other related parties include:

- the parent entity
- subsidiaries
- key management personnel
- other related parties

27. Related party disclosures (cont'd)

(e) Director and executive remuneration

The aggregate compensation of the key management personnel of the consolidated entity and company is set out below:

	Consolidated		Company	
	2012 $	**2011 $**	**2012 $**	**2011 $**
Short term employee benefits	257,285	742,227	257,285	742,227
Post employment benefits	5,411	29,069	5,411	29,069
Other long term benefits	-	-	-	-
Share based payments	-	45,000	-	45,000
Termination benefits	-	-	-	-
	262,696	816,296	262,696	816,296

(f) Details of key management personnel

Names and positions held of key management personnel in office at any time during the financial year are:

- Dr Mark Scott (Executive Director, Appointed 30 July 2010. Resigned 25 November 2011)
- Mark Reynolds (Chief Financial Officer, Appointed 1 October 2010. Resigned 18 December 2011)
- Nigel Blaze (Non executive director, Appointed 23 March 2011)
- Richard Wadley (Non executive director, Appointed 23 March 2011)
- Paul Quarrell (Non executive director, Appointed 23 March 2011)

(g) Options holding of directors and key management personnel

2012	**Balance at 1 Jul 11**	**Option Consolidation**	**Options exercised**	**Net change other**	**Balance at 30 Jun 12**	**Total exercisable and vested**	**Options vested during the year**
Dr Mark Scott	2,742,380,141	(2,687,532,538)	-	(54,847,603)	-	-	-
Nigel Blaze	-	-	-	-	-	-	-
Paul Quarrell	-	-	-	-	-	-	-
Richard Wadley	-	-	-	-	-	-	-

Note that the options held by the key management personnel who have resigned during the financial period have been removed from the table above (refer to the "Net change other column") at the date of resignation.

2011	**Balance at 1 Jul 10**	**Option Consolidation**	**Total issued**	**Net change other**	**Balance at 30 Jun 11**	**Total exercisable and vested**	**Options vested during the year**
Dr Mark Scott	-	-	-	2,742,380,141	2,742,380,141	-	-
Sergio Del Vecchio	-	-	1,600,000,000	(1,600,000,000)	-	-	-

(h) Shareholdings of key management personnel

2012	**Balance at 1 Jul11**	**Share Consolidation**	**On exercise of options**	**Sold**	**Net change other**	**Balance at 30 Jun 12**
Nigel Blaze	-	-	-	-	-	-
Paul Quarrell	-	-	-	-	-	-
Richard Wadley	-	-	-	-	-	-
M. Reynolds	15,000,000	(14,700,000)	-		(300,000)	-
Dr Mark Scott	2,822,380,141	(2,765,932,538)	-		(56,447,603)	-

Note that the shareholding held by the key management personnel who have resigned during the financial period have been removed from the table above (refer to the "Net change other column") at the date of resignation.

Related party disclosures (cont'd)

(h) Shareholdings of key management personnel continued

2011	Balance at 1 Jul 10	Granted as remuneration	On exercise of options	Net change other	Balance at 30 Jun 11
M. Reynolds	-	15,000,000	-	-	15,000,000
Dr Mark Scott	-	-	-	2,822,380,141	2,822,380,141

(i) Loans to key management personnel

There are no loans made by the disclosing entity or any of its subsidiaries to any key management personnel, including their personally related entities.

(j) Other transactions and balances with key management personnel

The following transactions and/or balances between the disclosing entity and any of its subsidiaries to any key management personnel, including their personally related entities were as follows:

During the year, the Company procured services to a value of $Nil (GST inclusive) (2011: $417,083) from Dr Mark Scott for the provision of radiology consulting services. The value of the services was determined on an arm's length basis at commercial terms.

During the year, the Company paid property rental to a value of $Nil (GST inclusive) (2011: $55,507) for properties owned by Dr Mark Scott and his related entities for the radiology practice in Moorabbin Victoria. The value of the rent was determined on an arm's length basis at commercial terms.

During the year, the Company procured services to a value of $53,840 (GST inclusive) (2011: $41,958) from Nigel Blaze for the provision of consulting services. The value of the services was determined on an arm's length basis at commercial terms. At 30 June 2012 $Nil (2011: $41,598) of the consulting services provided to the company remained unpaid.

During the year, the Company procured services to a value of $57,171 (GST inclusive) (2011: $4,890) from Richard Wadley for the provision of consulting services. The value of the services was determined on an arm's length basis at commercial terms. At 30 June 2012 $Nil (2011: $4,890) of the consulting services provided to the company remained unpaid.

During the year, the Company procured services to a value of $34,505 (GST inclusive) (2011: $11,005) from Paul Quarrell for the provision of consulting services. The value of the services was determined on an arm's length basis at commercial terms. At 30 June 2012 $Nil (2011: $11,005) of the consulting services provided to the company remained unpaid.

28. Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2008. The capital structure of the Group consists of debt, which includes borrowings disclosed in note 14, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and accumulated losses as disclosed in notes 5 and 16 respectively. The Group operates within Australia, primarily through subsidiary companies established in the markets in which the Group trades. None of the Group's entities are subject to externally imposed capital requirements. Operating cash flows are used to maintain and expand the group's service assets, as well as to make the routine outflows of repayment of debt. The Group's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements.

Financial instruments (con't)

Gearing ratio

The Group's Audit, Risk and Compliance committee reviews the capital structure on an as needs basis. As a part of this review the committee considers the cost of capital and the risks associated with each class of capital. The Group currently has no target gearing ratio. Based on recommendations of the committee the Group will balance its overall capital structure through new share issues as well as the issue of new debt or redemption of existing debt.

The gearing ratio at year end was as follows:

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Debt (i)	-	2,457	-	2,457
Cash and cash equivalents	(633,753)	(382,598)	(338,829)	(301,652)
Net debt	(633,753)	(380,141)	(338,829)	(299,195)
Equity (ii)	672,221	592,893	351,673	588,308
Net debt to equity ratio	(94.3%)	(64.1%)	(96.3%)	(50.8%)

(i) Debt is defined as long- and short-term borrowings, as detailed in note 14.
(ii) Equity includes all capital, losses and reserves.

(b) Categories of financial instruments

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Financial assets at amortised cost				
Cash and cash equivalents	633,753	382,598	338,829	301,652
Trade Receivables	13,242	41,553	12,943	-
Other Receivables	-	-	-	-
	646,995	424,151	351,772	301,652
Financial liabilities at amortised cost				
Trade Payable	82,185	774,674	47,610	267,586
Borrowings – Finance leases	-	2,457	-	2,457
	82,185	777,131	47,610	270,043

(c) Financial risk management objectives

The Group's Corporate Treasury function is provided by the Company Secretary, who monitors and manages the financial risks relating to the operations of the Group. These risks include market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimize the effects of these risks and invests excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates (refer note 28(e)). The Group enters into a variety of financial instruments to manage its exposure to interest rate risk, including:

- Excess liquidity is invested in short term deposits only to take advantage in movements of interest rate

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

Financial Instruments (cont'd)

(e) Interest rate risk management

The company and the Group are exposed to interest rate risk as entities in the Group borrow funds at fixed interest rates. The company and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis
The Group's sensitivity to interest rates has decreased during the current period mainly due to increases in term deposit investment rates. All of the Group's borrowings were at fixed interest rates.

At reporting date, the Group had no debt of any form. If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net loss would reduce by $3,168 and increase by $3,168 (2011: reduce by $1913 and increase by $1,913).

(f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group transacts with companies and government organizations by providing credit facilities to these groups. Credit facilities are granted on information supplied by the company or organization and sometimes supplemented by information provided by independent rating agencies. The Group's exposure of its counterparties is continuously monitored.

(g) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and banking facilities by monitoring actual cash flows.

The table below reflects all contractually fixed payouts and receivables for settlement, repayments and interest resulting from recognized financial assets and liabilities. The respective undiscounted cash flows for the respective upcoming fiscal years for other obligations are presented.

The remaining contractual maturity of the Group's financial liabilities are:

	Consolidated		Company	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
6 months or less	82,185	1,862,562	47,610	1,355,474
6-12 months	-	-	-	-
1-5 years	-	-	-	-
	82,185	1,862,562	47,610	1,355,474

(h) Fair value of financial instruments

The methods for estimating fair value are outlined in the relevant notes to the financial statements. The directors consider that the carrying amounts of financial assets and liabilities, recorded at amortised cost in the financial statements, approximates their fair value.

29. Company details

The registered office and principal place of business of the company is:
Level 10 South Tower
459 Collins Street
Melbourne VIC 3000

Additional stock exchange information

Additional information required by the Australian Stock Exchange and not shown elsewhere in this report is as follows.

The information is current as at 10 August 2012.

Following the General Meeting held on 16 August 2011 a share consolidation has taken place on 26 August 2011 on the basis that every 50 shares be consolidated into 1 share and that all options on issue be adjusted in accordance with terms and conditions of the options.

Ordinary share capital

- 828,437,692 ordinary shares held by 5,088 holders
- All issued ordinary shares carry one vote per share

Distribution of holders of equity securities

	Number of shareholders	Number of fully paid ordinary share
1 to 1,000	2,028	708,859
1,001 to 5,000	1,425	3,757,326
5,000 to 10,000	513	3,948,528
10,001 to 100,000	833	26,505,373
100,001 and over	289	793,517,606
Total	**5,088**	**828,437,692**

Twenty largest holders
Issued equity securities

#	Ordinary Shareholder	Number of shares	%
1	AVIEMORE CAP P/L	80,000,000	9.66%
2	TOPSFIELD P/L	44,500,000	5.37%
3	MICHAEL FRANK MANFORD	28,617,025	3.45%
4	JASPER HILL RES P/L	26,639,032	3.22%
5	TECCA P/L	22,292,001	2.69%
6	MARK JOHN + M P BAHEN	21,800,946	2.63%
7	KINGSLANE P/L	20,000,000	2.41%
8	NICK CONIDI P/L	19,222,401	2.32%
9	IDINOC P/L	19,222,401	2.32%
10	ALEXANDER FLEMING WYLIE	18,779,115	2.27%
11	HARGRAVE STREET P/L	18,141,177	2.19%
12	HOPPSCOTCH P/L	16,693,763	2.02%
13	CORNELA P/L	16,450,000	1.99%
14	T T NICHOLLS P/L	15,280,010	1.84%
15	RETZOS INV P/L	15,000,000	1.81%
16	ROVUMA INV LTD	14,100,000	1.70%
17	SCE SUPER P/L	13,696,007	1.65%
18	NICHOLAS PAUL DOBREE	12,400,000	1.50%
19	ST MORITZ (1985) P/L	11,001,606	1.33%
20	CUSTODIAL SVCS LTD	10,023,373	1.21%
	TOTAL	**443,858,857**	**53.58%**

Additional stock exchange information (cont'd)

Options *Unlisted*

- 1,396,895 options exercisable on or before dates ranging from 26 August 2012 to 21 June 2013 at prices ranging from $0.091 to $0.189 per option.
- 22,847,603 Options exercisable at $0.175 with expiry 12 August 2013.
- 69,935,559 Options exercisable at $0.125 with expiry 12 August 2013.
- Options do not carry a right to vote. Voting rights will be attached to the unissued shares when the options have been exercised.

Options *listed*

- 717,726,136 Options exercisable at $0.01 with expiry on 30 September 2016.

Twenty largest holders

#	Listed Optionholder	Number of options	%
1	AVIEMORE CAP P/L	80,000,000	11.15%
2	TOPSFIELD P/L	44,500,000	6.20%
3	NICK CONIDI P/L	29,000,000	4.04%
4	MICHAEL FRANK MANFORD	25,957,450	3.62%
5	JASPER HILL RES P/L	22,833,456	3.18%
6	MARK JOHN + M P BAHEN	20,211,744	2.82%
7	TECCA P/L	20,000,000	2.79%
8	KINGSLANE P/L	20,000,000	2.79%
9	HARGRAVE STREET P/L	18,141,177	2.53%
10	ALEXANDER FLEMING WYLIE	16,119,540	2.25%
11	HOPPSCOTCH P/L	15,083,762	2.10%
12	RETZOS INV P/L	15,000,000	2.09%
13	CORNELA P/L	14,100,000	1.96%
14	ROVUMA INV LTD	14,100,000	1.96%
15	T T NICHOLLS P/L	13,752,009	1.92%
16	BLU BONE P/L	12,305,328	1.71%
17	SCE SUPER P/L	12,168,006	1.70%
18	ST MORITZ (1985) P/L	11,001,606	1.53%
19	FLUE HOLDINGS P/L	10,000,000	1.39%
20	GREATSIDE HOLDINGS P/L	10,000,000	1.39%
	TOTAL	**424,274,078**	**59.12**

Distribution of holders of options	Number of option holders	Number of options
1 to 1,000	20	8,500
1,001 to 5,000	74	218,482
5,000 to 10,000	50	380,102
10,001 to 100,000	182	6,756,006
100,001 and over	166	710,363,046
Total	**492**	**717,726,136**