2019

ImpediMed Limited
Annual Report

For the year ended
30 June 2019



Powered by SaaS.
Transforming Care.

ABN 65 089 705 144

impedimed®

Our mission is to improve patients' lives by providing solutions that will allow a deeper understanding of the human body and the importance of fluid status and tissue analysis.

ImpediMed Mission

Table of Contents

1. Corporate Information

Corporate Information Page 05
Chairman's Report Page 06
Chief Executive Officer's Letter Page 07

2. Directors' Report

Directors Page 10
Company Secretary Page 15
Executives Page 16
Dividends Page 16
Principal Activities Page 17
Group Overview Page 17
Milestones Page 18
Operating and Financial Review Page 20
Significant Changes in the State of Affairs Page 24
Significant Events After the Balance Sheet Date Page 27
Likely Developments & Expected Results Page 27
Significant Risks to the Business Page 29
Environmental Regulations and Performance Page 31
Share Options and Performance Rights Page 32
Indemnification and Insurance of Directors and Officers Page 33
Indemnification of Auditors Page 33
Employees Page 33
Diversity Page 33
Corporate Governance Page 33

3. Remuneration Report

Remuneration Committee Chair Letter (Unaudited) Page 36
Remuneration Report (Audited) Page 37
Directors' Meetings Page 60
Committee Membership Page 60
Rounding Page 60
Auditor's Independence Declaration and Non-Audit Services Page 61

4. Financial Statements

Consolidated Statement of Comprehensive Income Page 64
Consolidated Balance Sheet Page 65
Consolidated Statement of Cash Flows Page 66
Consolidated Statement of Changes in Equity Page 67
Notes to the Financial Statements Page 68
Directors' Declaration Page 109
Audit Report Page 110
Shareholder Information (Unaudited) Page 115

Corporate Information

Chapter 1



Corporate Information

This financial report covers the consolidated entity comprising ImpediMed Limited (the "Parent" or "Company") with its wholly owned subsidiaries (the "Group"). The Parent's functional and presentation currency and the Group's presentation currency is the Australian dollar (AUD or $). Certain prior year amounts have been reclassified for consistency with the current year presentation.

A description of the Group's operations and of its principal activities is included in the operating and financial review in the Directors' Report. The Directors' Report is not part of the financial report.

Directors

Non-Executive Directors

S Ward, Chairman

J Downes

G Goetzke

R Graham

A Patel

D Williams

Managing Director

R Carreon, Managing Director and CEO

Company Secretary

L Ralph

Registered Office

Unit 1, 50 Parker Court
Pinkenba QLD 4008

Principal Places of Business

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

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

Share Register

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

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

Website

www.impedimed.com

Solicitors

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

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

Bankers

Commonwealth Bank of Australia
240 Queen Street
Brisbane QLD 4000

Bank of America
701 B Street Suite 2300
San Diego CA 92101 USA

Auditors

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

Remuneration Advisors to the Board of Directors

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

Chairman's Report



Scott Ward
Chairman of the Board

On behalf of ImpediMed's Board of Directors and Management, I am pleased to present the Annual Report for ImpediMed Limited for financial year 2019.

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

First Strike – 2018 Remuneration Report

The Board and the Remuneration Committee have focused on responding to items raised by the "first strike" against the 2018 Remuneration Report. The Board has adopted an equity remuneration model which conserves the Group's cash, provides incentive to recruit and retain executives and better aligns compensation with the interests of the shareholders. In addition, we are working to improve both the communications and messaging regarding remuneration for directors and Executive KMP to provide greater transparency to our shareholders. A full description of the key actions taken by the Board to address the items raised by the first strike are described in further detail in the Remuneration Report.

Board Composition

I am pleased that we have a strong Board of Directors at ImpediMed. Over the past few years, we have added several new Board Members with strong core competencies in business management, finance, accounting, digital health, reimbursement and healthcare economics.

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

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

Gratitude

On behalf of our entire Board, I would like to extend our gratitude to all of our ImpediMed employees for their dedication to our company and their passionate commitment to the patients that we serve.

We also extend our thanks and congratulations to our Managing Director and CEO, Rick Carreon, and the Management Team. Under Rick's leadership, ImpediMed has transformed into a Mission driven, patient-centric company focused on the development and commercialisation of SOZO bioimpedance spectroscopy for the early detection of lymphoedema and fluid status monitoring of heart failure patients.

And finally, thank you to our shareholders for your ongoing support. We look to the future with a sense of determination and enthusiasm as we focus on driving adoption of our technology and building sustainable revenue growth through our subscription business model. As always, we look forward to engaging with you throughout the year and at our 2019 Annual General Meeting.

Sincerely,



Scott R. Ward
Chairman

Chief Executive Officer's Letter



Richard Carreon,
Managing Director and Chief Executive Officer

Dear Shareholders,

This financial year marked a critical turning point for the company. The first-year data from the PREVENT Trial was released in May, showing a 95% reduction in the progression of lymphoedema. We successfully transitioned our capital-intensive business to Software as a Service (SaaS), with more than 55% of our revenue generated from this model. Finally, more than 50,000 patient measurements have been clinically assessed utilising our SOZO® Digital Health Platform.

Having built a strong foundation of more than 400 SOZO Digital Health Platforms in the market, we enter financial year 2020 with a clear focus on accelerating the commercialisation of our lymphoedema business.

Revenue and Key Metrics

Total recognised revenue increased over 25% year-over-year to $4.2 million for financial year 2019 (2018: $3.3 million). The increase in medical revenue was a result of the shift of the business to a Software as a Service (SaaS) revenue model in conjunction with the introduction of the SOZO Digital Health Platform.

We introduced SOZO to the US market in financial year 2018, and since the launch, we have grown the Contracted Revenue Pipeline revenue to $8.7 million (2018: $3.5 million) and Annual Recurring Revenue to $3.4 million (2018: $1.3 million). We are very encouraged by the positive reception of SOZO and the feedback we are receiving from clinicians.

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

Cash on hand at 30 June 2019 was $11.3 million, and net cash used in operating activities was $19.6 million for the financial year. Including the net proceeds from the $13.9 million Non-Renounceable Entitlement Offer that closed in July, the Group remains in a strong position to invest in the areas critical for the sustained acceleration of revenue growth over the course of financial year 2020.

We will continue to update you on the progress of our business, and we look forward to having you join us in financial year 2020 as we continue to report on the expansion and acceleration of our SOZO Digital Health Platform.

Significant Body of Clinical Evidence

We continued to effectively build a substantial body of clinical evidence, which will further drive adoption of our technology throughout the financial year 2020.

The pre-specified interim analysis of the PREVENT Trial was presented at the American Society of Breast Surgeons Annual Meeting, and the peer-reviewed manuscript was published in the Annals of Surgical Oncology in May 2019. The PREVENT Trial is a multi-centre, prospective, randomised controlled trial, the largest trial undertaken in lymphoedema prevention. The presentation and publication of data from the PREVENT Trial was a significant milestone for the Group and supports the use of L-Dex® for early detection of lymphoedema for breast cancer patients.

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

We have been working with world-leading institutions on several heart failure (HF) studies, with initial data being presented at the World Congress of Heart Disease and at the American Heart Congress - DVD during financial year 2019. In addition, during financial year 2019 we initiated a more extensive multi-centre study of approximately 200 patients. We will meet with the Principal Investigators and the Heart Failure Advisory Board in the first half of financial year 2020 for a comprehensive review of the data to-date and develop next steps. Also, we are expanding the heart failure opportunity to include those with implantable devices, for which we expect regulatory clearance in financial year 2020.

Reimbursement and Guidelines

In January 2015, a dedicated Category I CPT® Code, 93702, for L-Dex came into effect in the US market, under which physicians and clinics in the US can seek reimbursement from Medicare and private payors.

The expansion of published industry guidelines will also be a catalyst for ImpediMed in the coming year, with a number of guidelines issued in financial year 2019:

- New England Journal of Medicine Clinical Practice article by Dr. Rockson recommends quarterly BIS measures
- NAPBC follow National Lymphoedema Network guidance (including BIS as a tool to diagnose BCRL)
- eviCore Clinical Guidelines for Physical and Occupational Therapy Services - BIS is a validated tool for diagnosing lymphoedema
- Lymphatic Education & Research Network Centers of Excellence – BIS recommended as a risk assessment tool

In addition, an application earlier in the year was submitted for the inclusion of a formalised lymphoedema testing protocol in the National Comprehensive Cancer Network Guidelines (NCCN Guidelines®). A second application was recently submitted for the inclusion of BIS technology for the detection of sub-clinical lymphoedema. Also, we have requested a Technical Review of our BIS technology, and we have had a number of meetings with private payors requesting payment for our CPT® Code 93702. ImpediMed is building a compelling case for private payors to initiate payments in financial year 2020, and we expect the introduction of private payors would further drive the acceleration of our business.

We believe our SOZO Digital Health Platform is uniquely positioned to replace current monitoring methods through our precise, non-invasive, and cost-effective technology. We are excited about the significant progress we have made in optimising outcomes for the management of cancer and HF patients. We believe in the coming years we will make even greater strides and look forward to having you join us on that journey.

Thank You

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

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

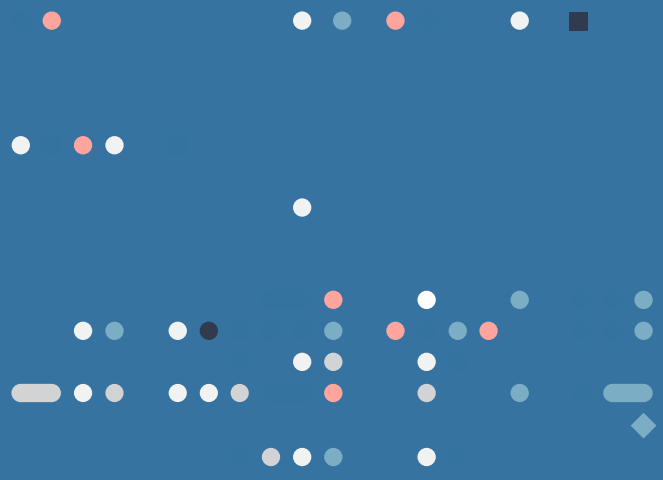
Yours sincerely,



Richard Carreon
Managing Director and Chief Executive Officer

Directors' Report

Chapter 2



Directors



Scott Ward

MS, BSc
Non-Executive Chairman

Scott Ward was appointed Chairman on 15 November 2017 and serves on the Nomination Committee. Scott is the Chairman of the Board, President and CEO of Cardiovascular Systems Inc.

Scott has over 35+ years of experience in the healthcare industry, including nearly 30 years at Medtronic, Inc. He was the Senior Vice President and President of the CardioVascular business of Medtronic Inc., responsible for all worldwide operations of the CardioVascular Business including the Coronary, Peripheral, Endovascular, Structural Heart Disease and Revascularization and Surgical Therapies businesses. Previously, Scott served as Senior Vice President and President of Medtronic Neurological and Diabetes, with responsibility for the global Neurological, Neurologic Technologies, Diabetes, Gastroenterology and Urology businesses; Vice President and General Manager of the Medtronic Drug Delivery Business; and Director of Medtronic NeuroVentures. Scott is also the Founder of Raymond Holdings, LLC a firm with activities in venture capital, strategy and transactional advisory services. He holds a B.S. in genetics and cell biology and an M.S. in toxicology, both from the University of Minnesota.

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

Listed company directorships held since 1 July 2016:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	July-13	-
Cardiovascular Systems Incorporated (i)	November-13	-

(i) US-based publicly traded company.



Judith Downes

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

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

Judith brings over 25 years of accounting and senior management expertise to the Board with a strong focus on financial management and audit and risk management, with large ASX listed companies. During her executive career, she held the roles of CFO at Alumina Limited (ASX: AWC) and as CFO/COO of Institutional Division, ANZ Banking Group Limited (ASX: ANZ).

Judith currently serves as Board Chairman of Bank Australia Limited, as an Honorary Fellow of the University of Melbourne's Faculty of Business and Economics and as a Director of CleanTeQ Holdings Limited.

She is a Fellow of the CPA, Chartered Accountants Australia and New Zealand, and Australian Institute of Company Directors. Judith is also a past member of the University of Melbourne's finance committee.

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

Listed company directorships held since 1 July 2016:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	April-17	-
CleanTeQ Holdings Limited	October-18	-



Gary Goetzke

Juris Doctorate
Non-Executive Director

Gary Goetzke was appointed to the board in August 2016 and serves on the Remuneration and Nomination Committees. He is currently the Principle and Chief Executive Officer of Compass Medical Advisors, LLC.

Gary has spent 20 years in senior management positions of three medical device companies where he led efforts in pursuing global coverage and payment policy for a variety of medical device therapies in the areas of cardiology, neurology, urology, pelvic health, wound care, orthopaedics, ENT and sleep. Gary is currently the Asia Pacific & Japan Business Leader for a global medical device company focused on the treatment of sleep apnea, in addition to serving as President and Chief Executive Officer of Compass Medical Advisors, LLC, an enterprise focused on developing regulatory, clinical and reimbursement-related mobile APPs for the medical device industry. Gary also serves as an Advisory Board Member for the Center for College Sleep.

Listed company directorships held since 1 July 2016:

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



Robert Graham

AO, FAA, FAHMS, MBBS, MD, FRACP, FACP, FAHA, GAICD

Non-Executive Director

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

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

Listed company directorships held since 1 July 2016:

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



Amit Patel

MBA, BME

Non-Executive Director

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

Amit is a Co-Founder and CEO of Murata Vios (formerly Vios Medical), which has created an FDA-cleared patient management platform that integrates IoT-based monitoring, remote care services, and big data analytics to alleviate gaps in patient vigilance across in-hospital and home environments. Vios is currently commercialising its monitoring and services solution across major hospital systems in the US and India. Vios Medical was acquired by Murata Manufacturing in October of 2017.

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

Listed company directorships held since 1 July 2016:

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



Donald Williams

BAcy, CPA
Non-Executive Director

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

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

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

Listed company directorships held since 1 July 2016:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	March-17	-
Adhera Therapeutics, Inc. (i) (ii)	September-14	-
Akari Therapeutics (i)	June-16	-
Alphatec Holdings Inc (i)	May-15	-
Marina Biotech Inc (i)	September-14	-

(i) US-based publicly traded company.
(ii) Adhera Therapeutics, Inc. changed its name from Marina Biotech, Inc. in October 2018.



Richard Carreon

Executive Director

Richard Carreon was appointed to the Board as Executive Director in May 2015. Rick joined ImpediMed in July 2012 as President and CEO.

Rick has more than 30 years of experience in management, sales and marketing, spanning the consumer products and medical technology industries. Rick has more than a decade of executive experience working for Medtronic, a leading global manufacturer of cutting-edge medical devices, and therapies. His roles at Medtronic included Vice President, US Cardiovascular Commercial Operations; Vice President of Sales – Structural Heart; Vice President of Sales and Marketing Medtronic Gastroenterology and Urology; and Vice President of Sales – The Americas.

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

Listed company directorships held since 1 July 2016:

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

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

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

Director	Title	Ordinary Shares
S Ward	Chairman	250,000
J Downes (i)	Non-Executive Director	110,134
G Goetzke	Non-Executive Director	242,000
R Graham	Non-Executive Director	-
A Patel	Non-Executive Director	88,000
D Williams	Non-Executive Director	130,000
R Carreon	Executive Director	1,008,591

(i) J Downes' shareholdings include 27,534 shares acquired in July 2019 as part of the Group's Non-Renounceable Entitlement Offer.

Company Secretary



Leanne Ralph

Company Secretary

Leanne Ralph was appointed to the position of Company Secretary in January 2015. Leanne has over 15 years of experience in company secretarial roles and holds this position for a number of ASX-listed entities. Leanne is a Fellow of the Governance Institute of Australia and a Graduate Member of the Australian Institute of Company Directors.

Executives



Frank Vicini
Chief Medical Officer



Morten Vigeland
Chief Financial Officer



Shashi Tripathi
Chief Technology Officer



David Adams
Senior Vice President Operations and Strategic Planning



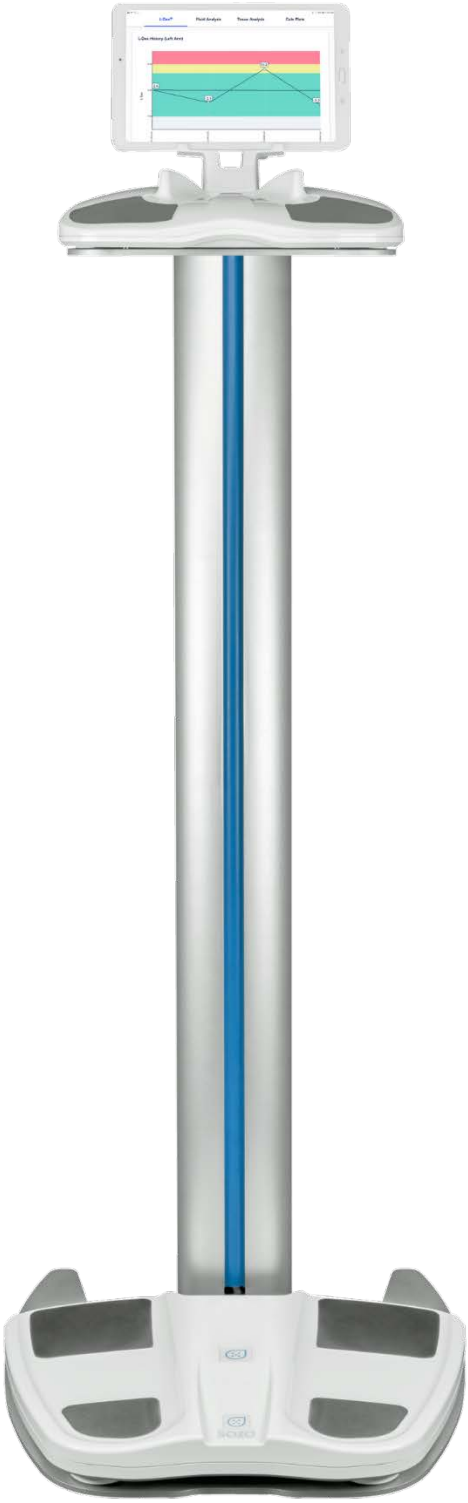
Catherine Kingsford
Senior Vice President Medical Affairs



Dennis Schlaht
Senior Vice President R&D and Technology

Dividends

No dividends were paid or proposed to be paid to shareholders for the year ended 30 June 2019.



Principal Activities

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

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

The principal activities of the Group during the year were the development, manufacture and sale of bioimpedance spectroscopy devices and software services with a focus on the early detection of lymphoedema and heart failure.

Group Overview

ImpediMed Limited was founded in Brisbane, Australia in October 1999, and was listed on the ASX on 24 October 2007. The Group consists of four entities:

ImpediMed Limited, the Parent company operating in medical markets in regions outside North America; incorporated in 1999 and listed on the ASX on 24 October 2007.

ImpediMed Incorporated, a Delaware corporation in medical markets in North America.

ImpediMed Hellas, a Kalamaria, Greece corporation in a research & development and marketing capacity in Europe.

ImpediMed TM Incorporated (formally XiTRON Technologies, Incorporated), a California corporation formerly operating in power test and measurement markets globally. ImpediMed TM Incorporated discontinued operations during the year ended 30 June 2019.

For more information, visit www.impedimed.com.

Milestones

27 June 2019

Successful $13.9 Million Fully Underwritten Non-Renounceable Entitlement Offer

The Entitlement Offer was completed in July 2019. Proceeds from the entitlement offer will be applied to fund growth initiatives and general working capital.

6 May 2019

Publication of the Peer-reviewed Manuscript of the PREVENT Interim Analysis

Prevent Interim Results – "Practice Changing"

Sheila H. Ridner, PhD, RN, FAAN, the principal investigator of PREVENT and the Martha Rivers Ingram Professor of Nursing at Vanderbilt University School of Nursing, delivered the interim results at a podium presentation during the 20th Annual Scientific Meeting of American Society of Breast Surgeons (ASBrS), in Dallas, Texas on Friday 3 May 2019.

The paper concluded that "the results of this interim analysis demonstrate that patients undergoing surveillance with BIS had reduced but non-statistically significant reductions in the rates of progression requiring CDP compared with TM. These results are currently supportive of the need for subclinical detection and early intervention for patients with BCRL with a 10% absolute reduction and a 67% relative reduction in the rates of CDP. Further data with a longer follow-up than in this study is expected in the years to come and will strengthen these early, positive, practice–changing results."

The manuscript was published in the Annals of Surgical Oncology, the most cited surgical oncology journal and one of the most cited surgical journals in the world. A copy of the manuscript is available at:

https://link.springer.com/article/10.1245%2Fs10434-019-07344-5

Abbreviations	
BCRL	Breast cancer related lymphoedema
BIS	Bioimpedance spectroscopy
CDP	Complex decongestive physiotherapy
TM	Tape measure

3 May 2019

The American Society of Breast Surgeons (ASBrS) Issued a Press Release and the Abstract Submitted on the Interim Results of the PREVENT Trial

Expert commentary provided by Dr Julie A. Margenthaler, MD, FACS, Washington University School of Medicine, ASBrS Communications Committee Chair stated: "Lymphedema represents a significant morbidity for patients who experience it. This study demonstrates that bioimpedance spectroscopy can identify early signs of lymphoedema so that interventions can be taken to prevent progression. This is an important step in improving the lives of our breast cancer survivors."

2 April 2019

ImpediMed Becomes Business Associate-Compliant with Launch of Third Generation SOZO Software 3.0

The new software offers a new interface that is easier to navigate, while providing the highest level of security and privacy of patient data in a cloud-based solution. It also offers additional security features for both hospital administrators and clinical users in compliance with the Health Insurance Portability and Accountability Act (HIPAA), allowing customers to collect pertinent patient information during each SOZO test in accordance with HIPAA security and privacy rules.

The new software will be more powerful and significantly streamline the installation and maintenance process by moving all data handling, storage, and analysis to a Cloud-based service.

16 January 2019

ImpediMed Receives Ascension National Purchasing Agreement

This agreement allows the 151 Ascension hospitals to take advantage of pre-negotiated pricing and streamlined IT integration of the SOZO platform. Ascension is the largest non-profit health system in the US and the largest Catholic health system in the world.

10 December 2018

Early Surveillance with L-Dex® Reduces Incidence, Severity and Cost

A landmark study out of Macquarie University, Australia, was published in Cancer. Cancer is an international journal of the American Cancer Society. Based on a retrospective analysis, the study conducted by Louise Koelmeyer, Lymphoedema Program Manager, ALERT (Australian Lymphoedema Education, Research & Treatment), found that the use of BIS as part of an early prospective surveillance model of care results in significantly earlier detection of lymphoedema over time and that earlier detection of lymphoedema will lead to lower health care costs.

19 November 2018

Bioimpedance and L-Dex Recommendation published in Leading Journals

Dr. Stanley Rockson, Allan and Tina Neill, Professors of Lymphatic Research and Medicine at Stanford University, authored a case vignette, titled "Lymphedema after Breast Cancer Treatment" which was published in the New England Journal of Medicine (NEJM) on 15 November 2018. Dr. Rockson recommended placing the patient in a surveillance program, including quarterly assessments using bioimpedance during the first year after treatment.

10 October 2018

First Patient Enrolled in 200 Patient Heart Failure ("HF") Trial

With the first patient in this at-home HF trial now enrolled, the study will follow patients at home for 45 days post discharge from a HF-related hospital admission. The study is designed to demonstrate the extent to which changes in SOZO BIS measurements preempt patient-reported symptoms of acute HF that lead to hospital readmissions.

24 September 2018

L-Dex Suggested as New Standard of Care

The completion of the first in a series of educational seminars to be presented by the Principal Investigator of the PREVENT trial – "Removing the Mystery Around Bioimpedance – Moving Towards a New Standard of Care". The presentation included top-line results from the interim analysis of the PREVENT trial and demonstrated that L-Dex technology was seamlessly integrated into some of the busiest breast cancer clinics in the world.

23 September 2018

PREVENT Trial Results Published – Outstanding Initial Data

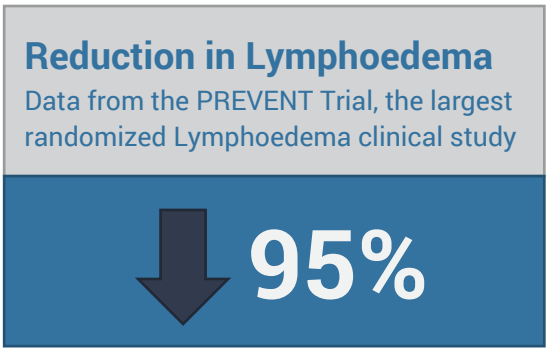
Early results demonstrate a 67% relative improvement in progression to persistent lymphoedema in the L-Dex arm compared to tape measure arm.

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

11 September 2018

SOZO Abstracts Presented at Key Scientific Cardiology Meetings

Two abstracts demonstrating the utility of the SOZO device were presented during posted presentations by A.J. Accardi, M.D. at the American Heart Congress – CVD, October 5-6, 2018, Los Angeles: *Utilisation of Bioimpedance Spectroscopy in Lieu of Invasive Monitoring Fluid Overload and Correlation of Limb Bioimpedance to Echocardiographic Indicators of Congestion in Patients with Heart Failure*.



Operating and Financial Review

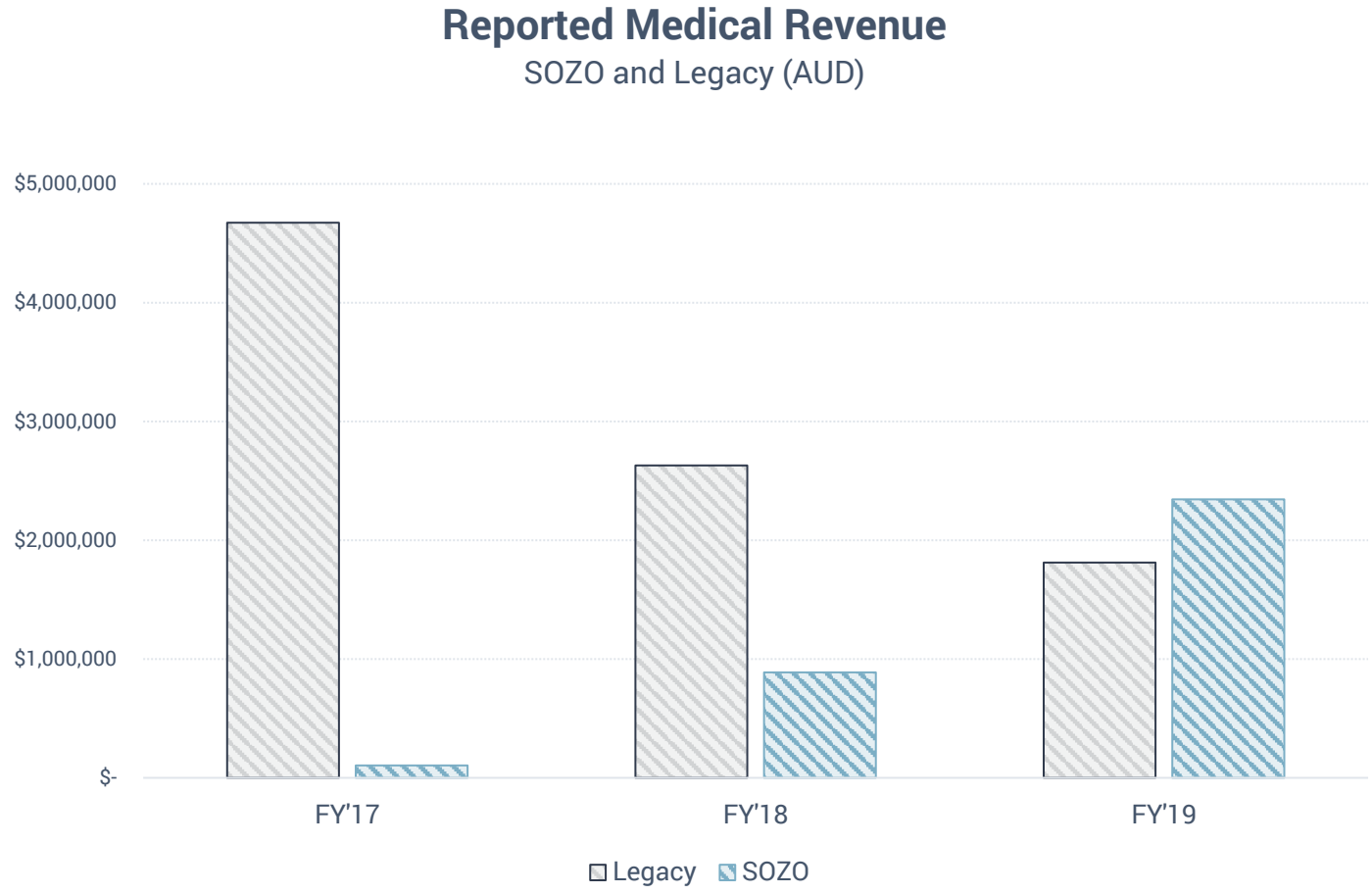
Operating Results for the Year

Revenue and SaaS Financial Metrics

SOZO Revenue for the current period was $2.3 million (30 June 2018: $0.7 million), an increase of 229% over the previous corresponding period. This increase in revenue was attributable to SOZO commercialisation efforts in the US and included both the upfront SOZO device revenue and the recurring subscription revenue streams.

Of the SOZO revenue, $1.6 million related to recurring subscription revenue streams (30 June 2018: $0.1 million), a significant increase over the previous corresponding period.

Total Revenue for the current period was $4.2 million (30 June 2018: $3.3 million), an increase of over 25% from the previous corresponding period. The increase in revenue was attributable to SOZO, as mentioned above, but was offset by a decrease in legacy consumables revenue as the existing customer base transitioned to the SOZO platform.



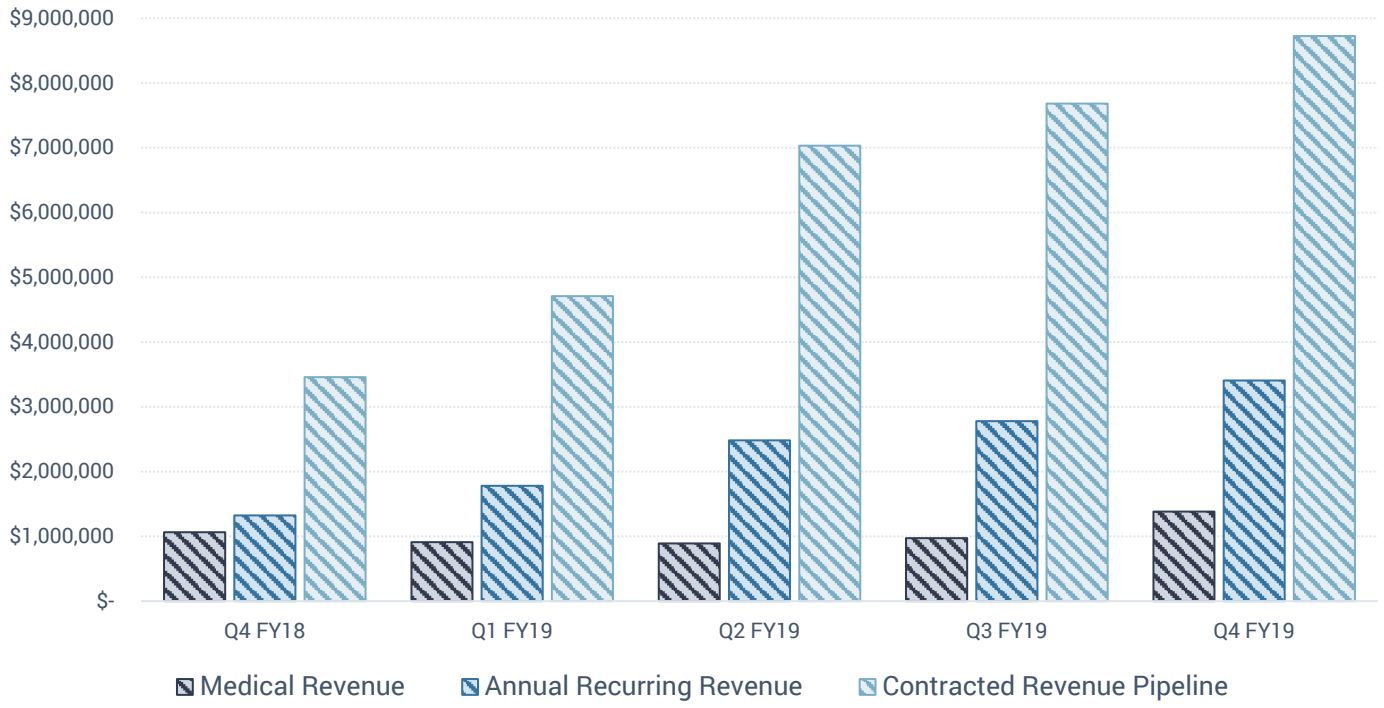
At 30 June 2019, there were 401 SOZO units in the market (30 June 2018: 202), representing a 99% increase in the number of units in the market year-over-year.

In addition to revenue recognised during the current period, the Contracted Revenue Pipeline (CRP) at 30 June 2019 totaled $8.7 million (30 June 2018: $3.5 million), an increase of 149%, as the majority of the revenue associated with these SOZO units will be recognised over the lives of the respective contracts.

Annual Recurring Revenue (ARR) at 30 June 2019 totaled $3.4 million (30 June 2018: $1.3 million), an increase of 162%.

Subscription Business Model

FY19 Revenue (AUD)



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

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

Operating Results – Investing in Large, Growing Markets

Net loss for the period was $24.1 million (2018: $27.4 million). The loss from continuing operations after income tax was $24.0 million (2018: $27.2 million). The decreased loss from continuing operations, when compared with the prior year, is primarily attributed to an increase in gross margin of $0.6 million, increased capitalised software development costs of $2.2 million, decreased impairment expenses of $1.1 million, and overall financial discipline across all departments.

Cost of goods sold for the current period were $1.3 million (30 June 2018: $1.0 million). The increase is primarily attributable to an increase in the number of SOZO device sales in the current period compared to the prior period.

Gross margin percentage for the Group was 70% for the current period (2018: 71%). This is reflective of the transition to the sale of SOZO as the main product offering of the Group and the additional one-time costs associated with converting the existing legacy customer base to SOZO. The gross margin percentage related to the SOZO product offering is expected to increase over the course of the next twelve months as the revenue streams related to the subscription-based services become an increasingly larger portion of the Group's revenue.

Salaries and benefits for the period ended 30 June 2019 totaled $15.8 million (30 June 2018 $16.4 million), a decrease of 4%. The decrease was primarily attributable to certain employee costs capitalised as software development costs related to the next generation SOZO software (SOZO version 3.0) and a slightly reduced headcount compared to the prior period.

Share-based payments for the period ended 30 June 2019 totaled $2.8 million (30 June 2018 $3.3 million), a decrease of 15%. This decrease was related to the Group not issuing existing employees option awards during the year ended 30 June 2019. No long-term incentive (LTI) equity awards were made to Executives or employees during the 2019 financial year, except in relation to new hire grants to certain employees. Please see SECTION 7 of the Remuneration Report for more details on LTI equity.

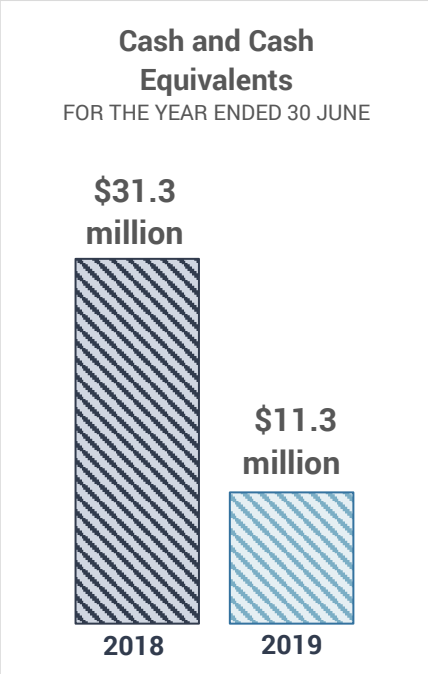
Administration and governance costs for the period ended 30 June 2019 totaled $2.4 million (30 June 2018 $3.3 million), a decrease of 27%. This decrease is primarily attributable to inventory impairment costs related to the Group's legacy devices in the prior period that were not necessary in the current financial year.

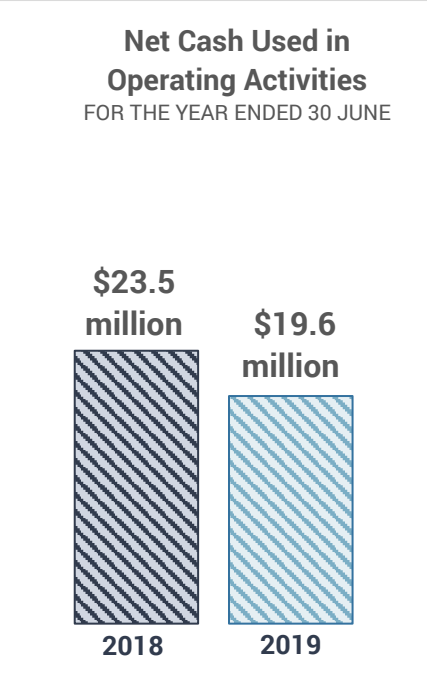
Consultants and professional fees for the period ended 30 June 2019 totaled $2.1 million (30 June 2018 $3.2 million), a decrease of 34%. The decrease is primarily attributable to overall financial discipline by the Group, including reduced executive, sales, and marketing consulting expenses not critical to the organization's success during the 2019 financial year.



SOZO® Digital Health Platform

SOZO, the world's most advanced, noninvasive bioimpedance spectroscopy (BIS) device, incorporates L-Dex® technology to aid in the assessment of secondary lymphoedema and fluid status to monitor patients living with heart failure. SOZO delivers a precise snapshot of L-Dex, fluid status, and tissue composition in less than 30 seconds allowing clinicians across multiple specialties to provide individualized, proactive care that can help improve patient outcomes.





Significant Changes in the State of Affairs

Review of Financial Condition – Liquidity and Capital Resources

Cash and cash equivalents were $11.3 million at 30 June 2019 (30 June 2018: $31.3 million). Net cash used in operating activities for the year ended 30 June 2019 was $19.6 million (30 June 2018 $23.5 million). The decrease in cash outflow was attributable to reduced employee, administrative, and consulting costs, as well as cash proceeds from the divestiture of XiTRON Technologies, Inc.

On 27 June 2019, the Group announced a $13.9 million fully underwritten non-renounceable entitlement offer. The Entitlement Offer was completed in July 2019. The Company received approximately $13.0 million net of transaction fees.

Proceeds from the entitlement offer will be applied to fund growth initiatives.

Cash outflow from investing activities was $1.8 million during the period (2018: $1.2 million). The increase in cash flows used in investing activities is primarily related to the capitalisation of software development costs.

Share Issues During the Year

Cash inflow from financing activities was $0.1 million during the period (2018: $0.3 million). The following outlines the capital raised during the year ended 30 June 2019:

- $0.1 million, net of transaction costs, from July 2018 - June 2019 through the issue of 1,560,364 ordinary shares stemming from employees exercising options (2018: $0.3 million on 1,387,619 ordinary shares).

Issued capital was $219.7 million at 30 June 2019 (2018: $219.7 million). Total equity decreased to $15.8 million at 30 June 2019 (2018: $35.8 million) due to the Loss from Continuing Operations during the period.

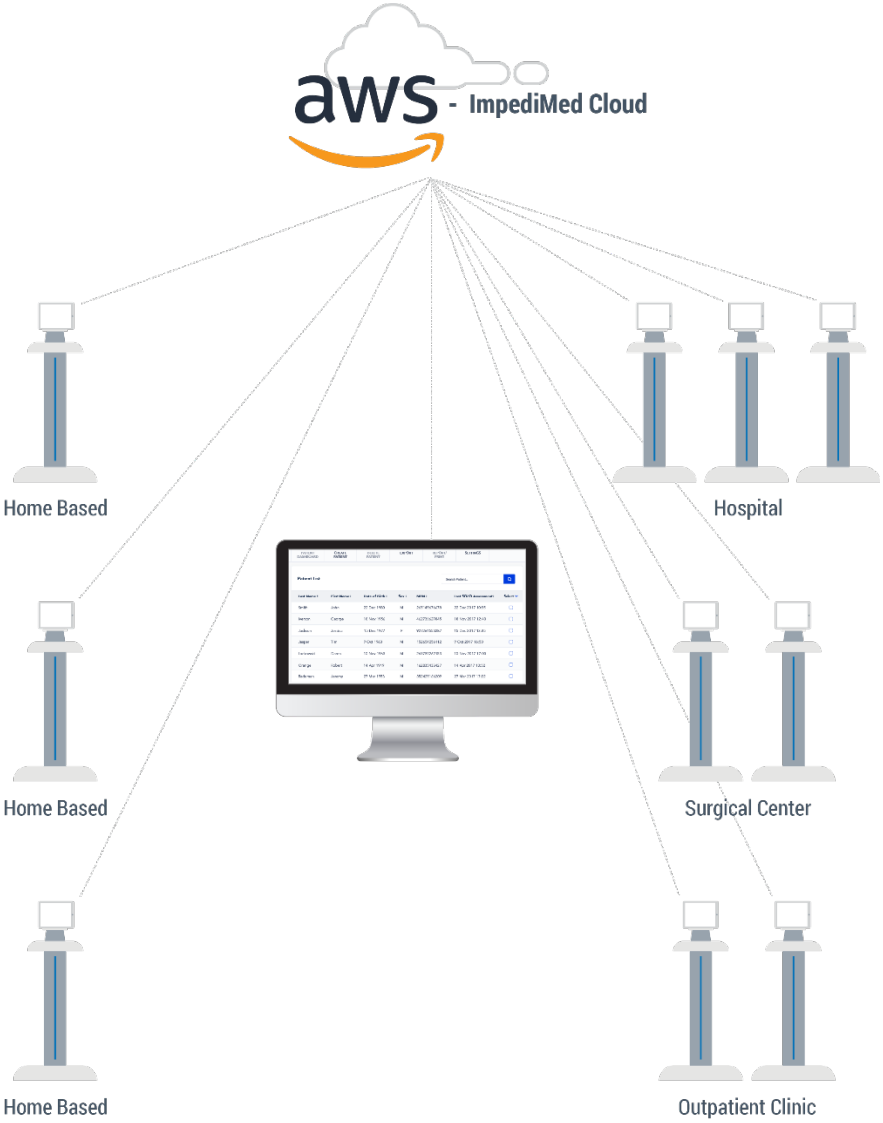
Foreign Currency – Effects on Operating Results

The Group maintains a significant portion of available funds in U.S. dollars to match U.S. dollar expenditure needs. The loss from continuing operations for the period before income tax includes a realised foreign exchange loss arising from operating expenses in the U.S and Europe.

The spot exchange rate for the beginning and end of the current reporting period was AUD $1.00 to USD $0.74 and USD $0.70, respectively. The spot exchange rate for the beginning and end of the prior reporting period was AUD $1.00 to USD $0.77 and USD $0.74, respectively. This fluctuation of the exchange rate led to an unfavourable outcome in reporting operating expenditure but led to a favourable outcome in reporting cash and cash equivalents when compared to the prior period.

The average exchange rate for the reporting period was $0.72 (Australian dollar (AUD) to US dollar (USD)) (2018: $0.78). During 2019, the Group incurred unrealised mark-to-market foreign currency translation losses of less than $0.1 million (2018: $0.1 million). The loss in both periods primarily relates to exchange rate fluctuations in foreign denominated trade receivables and payables between the transaction date and settlement date.

Connected Digital Health Platform



Connected Digital Health Platform
Comprehensive patient data
Access to information across the care continuum
Manage large patient populations
Integrates seamlessly into hospital, clinical, and home settings
Growing database of patient measurements
Data is already driving • Increased accuracy • Automated protocols • Real world clinical data to support FDA filings

Dynamics of the Business

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

Using BIS, ImpediMed's proprietary technology sends 256 unique frequencies through the body to assess both intra and extracellular fluid. By detecting small amounts of fluid changes, it can help health care providers better detect and manage chronic disease in patients and give individuals medically meaningful information to better manage their health. BIS is able to provide highly accurate and informative metrics to routinely monitor and manage the health of patients.

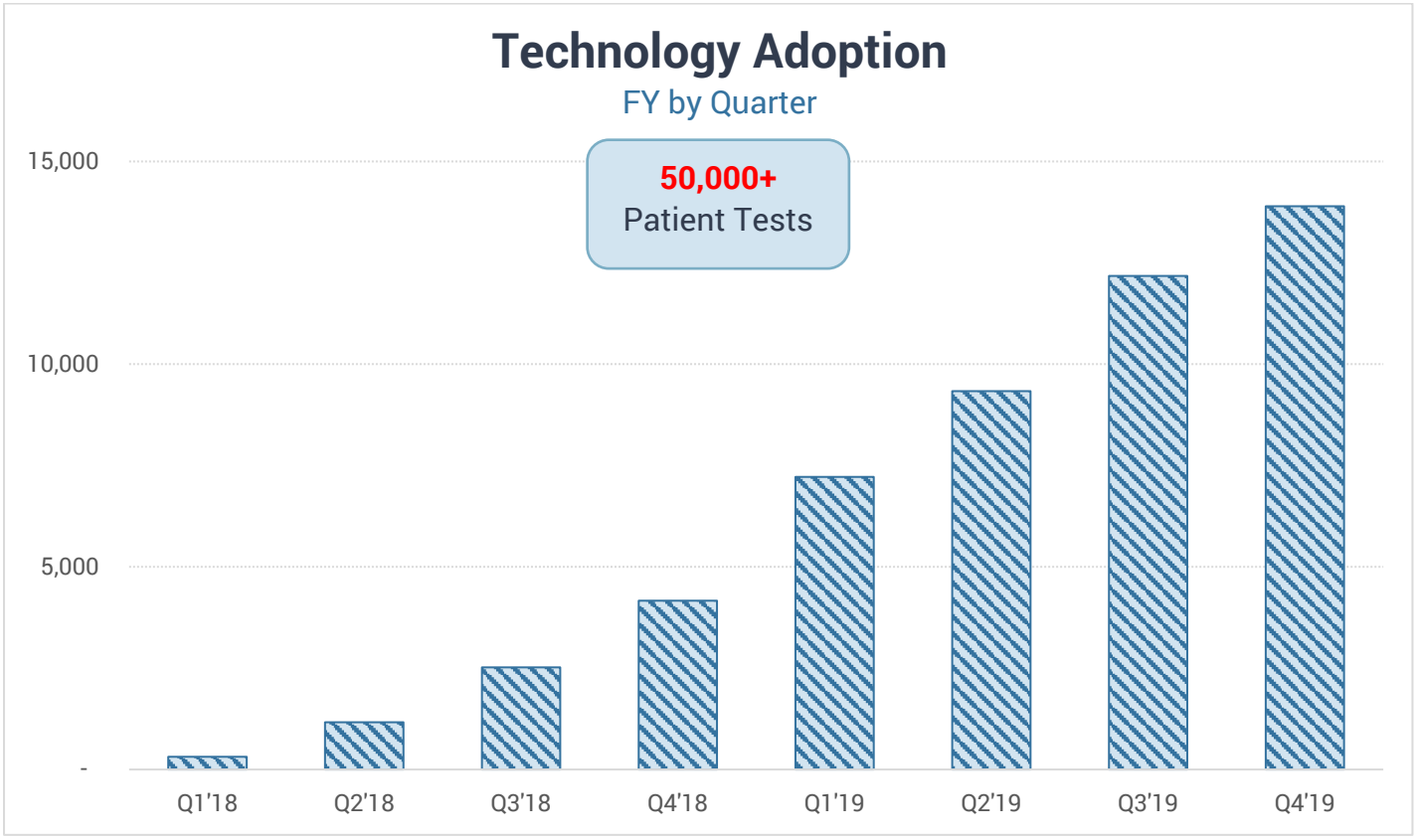
During the period, the Group sold its products and subscription services through a mix of employed sales representatives and independent distributors. In the U.S. lymphoedema market, the Group has an employed, direct sales force that focuses on the sale of SOZO devices and the associated subscription services related to the unilateral and bilateral indications.

SOZO – Connected Digital Health Platform

SOZO is a highly disruptive technology offering a highly scalable business model. SOZO provides a cloud-based software solution to hospital systems, clinicians and patients that allows access to comprehensive patient data and digital health-information across the care continuum. With seamless integration into hospitals, clinical and home settings, the technology platform allows for ease of management of large patient populations.

The SaaS (Software-as-a-Service) business model is now well established in lymphoedema with a growing database of patient measurements. Since the launch of SOZO, over 50,000 patient tests have been performed, with over 14,000 patient tests performed in the fourth quarter of the 2019 financial year alone. The data from these patient measurements is already driving increased accuracy, automated protocols and real-world clinical data to support FDA filings.

The SOZO device is sold to hospitals and clinics, along with a SaaS subscription. The subscription is a monthly fee based on indications licensed and the estimated case load per device. Initial SaaS subscription contracts are typically for three years in the U.S. and one to three years in other markets.



Significant Events after the Balance Sheet Date

19 July 2019

Completion of the $13.9 Million Fully Underwritten Non-Renounceable Entitlement Offer

The Group announced the completion of its fully underwritten non-renounceable entitlement offer on 19 July 2019. Under the Entitlement Offer, eligible shareholders were invited to subscribe for one (1) new share ("New Share") for every three (3) shares in the Company of which they were the registered holder, at an issue price of $0.11 per New Share.

In accordance with the ASX Listing Rules, ImpediMed advised that it received valid applications under the Entitlement Offer for approximately 88,249,289 New Shares in ImpediMed (to raise approximately $9.7 million).

The balance of 38,353,639 New Shares, being shares not subscribed for by eligible shareholders in accordance with their pro rata entitlements under the Entitlement Offer, were issued under the underwriting arrangements described in the Offer Booklet.

The New Shares were issued on 24 July 2019.

Proceeds from the Entitlement Offer will be applied to fund growth initiatives.

Likely Developments & Expected Results

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

Continued Strong Growth in SOZO SaaS Subscription based Business

Cancer Survivorship and L-Dex

Cancer and its treatments have a huge impact on the body that often affects the quality of life after the disease. There are 1.8 million new cases of cancer each year and over 15.5 million living cancer survivors in the US. There are more than 5.5 million U.S. patients suffering from persistent cancer-related lymphoedema as a result of their cancer treatment, making up an annual addressable market of over $2 billion.

Lymphoedema is a leading post-surgical complication for many cancer patients that greatly impacts quality of life and it is one of the most feared consequences of cancer survivorship. ImpediMed's L-Dex technology provides a simple and accurate measurement of fluid in limbs, which allows early detection and intervention. L-Dex is the only technology that can detect the onset of lymphoedema at a subclinical stage. If detected at this stage, the progression of lymphoedema can be prevented, and often reversed. Data from the PREVENT Trial, the largest randomised lymphoedema clinical study, has shown a 95% reduction in lymphoedema.

The Group expects to focus its U.S. commercialisation efforts over the next twelve months on a national Lymphoedema Prevention Program ("LPP") aimed at transforming patient care through the prevention of cancer-related lymphoedema. The LPP will be a complete solution for cancer-related lymphoedema prevention, incorporating 'best practices' from the growing number of top cancer centres currently utilising SOZO's L-Dex technology. A key initiative of the programme will be focused on changing hospital protocols that involve testing only high-risk patients, in order to maximise patient outcomes and ensure that all patients are tested throughout the continuum of care.

The Group expects that success in the Lymphoedema Prevention Program will result in larger multi-unit SOZO sales to new hospital systems and additional SOZO units being sold into existing hospital systems. The programme is expected to also lead to optimised usage and adoption of the technology from clinicians, thus resulting in strong SOZO revenue growth over the next twelve months.

Revenue Growth – Expanded Footprint

In the 2019 financial year, the Group converted the majority of its existing L-Dex users over to SOZO. With over 400 SOZO units sold worldwide as of 30 June 2019, the Group has a strong base-business from which will allow continued SOZO license fee revenue to be generated over the next twelve months.

The Group believes that the challenges related to transitioning to a SaaS business model are now primarily complete and expects that the combination of a strong base business and continued SOZO sales will lead to accelerated revenue growth over the next twelve months.

FY20 Market Guidance for Revenue

	Guidance			
	Low	Midrange	High	Midrange Growth vs. FY19
Contracted Revenue Pipeline	A$18.0	A$21.0	A$24.0	~140% ↑
Annual Recurring Revenue	A$6.0	A$8.0	A$10.0	~145% ↑
Reported Revenue	A$7.0	A$8.5	A410.0	~115% ↑
Gross Margin %	75%	77%	79%	~13% ↑

In June 2019, the Group released a guidance range for financial year 2020 revenue of $7.0 – 10.0 million, with midrange guidance of $8.5 million.

Below are the primary growth drivers that will result in the midrange revenue, as well as additional growth-accelerators that will drive growth above midrange guidance:

Growth Drivers

- Aggressively drive the national Lymphoedema Prevention Program in new key centres and build out in existing centres (increases device and subscription sales)
- Target existing key customers for expanded patient testing (drives new device and subscription sales - low acquisition costs)
- Expand indications at top cancer centres (requires additional licensing fees - low acquisition costs)
- Educational seminars increase awareness of our technology
- Significantly reduce "sale-to-billing" cycle time through expansion of v3.0 software
- Continued clinical and economic publications drive adoption
- Initial private payors begin payments for testing

Growth Accelerators

- Expand existing customers into gynaecological, melanoma, and prostate cancer surveillance (new opportunity and low acquisition costs)
- Drive the incorporation of BIS surveillance into the US National Comprehensive Cancer Network Guidelines (NCCN Guidelines®)
- Increasing number of private payors to begin paying for testing

The Group will be focused on integrating L-Dex testing into clinical workflow practices and systems with the continued adoption of SOZO. In addition, the Group continues to build a compelling case for private payors to initiate coverage of L-Dex and expects that the introduction of private payors would be a catalyst for broad adoption in the U.S., further driving the growth of the business.

Heart Failure – Game Changing Technology

Heart Failure (HF) is a chronic, progressive and debilitating condition and it is among the most expensive diseases for the US health care system. HF is a global pandemic affecting at least 26 million people worldwide. In the United States, it's expected that one in five people over the age of 40 will develop heart failure. It is the most common cause of hospitalisation of people over 65 years of age, and about half the people who develop HF die within five years of diagnosis.

The estimated annual cost of Heart Failure in the US is $31 billion. Assessing and monitoring fluid status is critical to the management of HF patients, as a change in fluid status may signal the need to increase or decrease medication levels. By appropriately altering medication levels, the length of hospital stays and the number of readmissions can be significantly reduced.

The Group believes that SOZO can play a vital role in optimising outcomes for HF patient management. The current practice is to monitor HF patients daily for fluid burden both in-clinic and at-home through either a weight scale, implantable leads, or an implantable pressure monitoring device (CardioMEMs). These methods are either inaccurate and rudimentary (weight scale) or invasive and/or expensive (implantable leads and CardioMEMs). SOZO is uniquely positioned to replace these current monitoring methods, as the device provides the precision and accuracy of implantables at the cost of a scale.

The Group expects to continue to make progress towards commercialisation of the heart failure program in the US over the next twelve months. Below are the primary drivers in the HF action plan:

Clinical Data for Widespread Adoption

- Working with world leading institutions on HF trials
  - First data presented at 23rd World Congress on Heart Disease July 2018

  - Correlation case study and clinical utility of SOZO to monitor HF patients presented at American Heart Congress - CVD
- Data from initial HF studies has led to initiation of larger multi-centre study
- Study commenced; first patient enrolled 9 October 2018
  - ~200 patients - actively enroling
  - Fluid measurements during hospitalisation for HF and daily for 45 days after discharge (at-home)
  - Principal Investigator meeting schedule for early August to review data and publication strategy
  - Heart Failure advisory board meeting to include other world thought leaders scheduled for September at the 2019 Heart Failure Society of America meeting. Full review of all clinical data and next steps.

Regulatory

- Expanding heart failure opportunity to include those with implantable devices. Expect regulatory clearance by end of CY'19

Favourable Reimbursement and Guidelines Regime

- Reimbursement established to pay providers to remotely manage patients
- Current guidelines in place for daily monitoring of Class III patients for fluid burden

SOZO Regulatory Milestones

- CE Mark granted June 2017
- FDA 510(k) clearance for fluid monitoring of patients living with HF achieved December 2017

Significant Risks to the Business

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

Framework

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

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

Significant Risks

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

- The availability of capital resources
- The retention and hiring of key personnel
- The strength of the Group's Intellectual Property (IP) portfolio
- The progress and/or outcome of clinical trials
- The adoption of the Group's technology
- The risk of not meeting continuous disclosure obligations
- The progress of new product and software development
- The risk related to product liability, privacy laws and cyber-security breaches
- The effective management of the Group's supply chain
- The effect of changes in laws, healthcare policy and other regulatory issues
- Brand and reputation risks

Assessment

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

The availability of Capital Resources

In assessing the availability of capital resources, the Group is continuing to manage its cash position carefully under its operating plan and longer-term strategic plan. The Group may find additional sources of financing and/or raise additional capital if needed. If ImpediMed is unable to obtain additional funds when required, the Group may be forced to delay, reduce the scope of, or eliminate one or more clinical trials, product and software development or commercialisation efforts.

The Retention and Hiring of Key Personnel

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

The Strength of the Group's Intellectual Property (IP) Portfolio

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

The Progress and/or Outcome of Clinical Trials

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

The Adoption of the Group's Technology

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

In particular, ImpediMed is requesting inclusion of a formalised testing protocol and BIS technology for lymphoedema prevention in the NCCN Guidelines. Whilst ImpediMed believes there is a compelling case for inclusion in the NCCN Guidelines and for private health insurers to make payments on claims in the 2019 financial year, there is no guarantee that this will occur.

The commercial success of ImpediMed's products is also substantially dependent on achieving acceptable payment levels to medical providers to support pricing strategies for L-Dex and additional indications and uses for SOZO. Whether acceptable third-party payments and reimbursement levels are available from government bodies, private health insurers and other third parties will be reliant on clinical data, industry guidelines and health economic arguments.

The Risk of Not Meeting Continuous Disclosure Obligations

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

The Progress of New Product and Software Development

In assessing the progress of new product and software development, the Group must assess the impact that investing in product and software development has on the business.

Developing software and technology, particularly in the medical sector, is expensive and often involves an extended period of time to achieve a return on investment. An important aspect of ImpediMed's business is to continue to invest in innovation and related product development opportunities. ImpediMed believes that it must continue to dedicate resources to ImpediMed's innovation efforts to develop ImpediMed's product offering and to maintain ImpediMed's competitive position. ImpediMed may not however, receive benefits from these investments for several years or may not receive benefits from these investments at all.

The Group also runs the risk of not meeting timelines or not making the right product that addresses customer and market needs. The Group follows a defined design control process and monitors projects to ensure that they are staffed correctly, while also conducting usability studies to determine customer and patient needs.
The Group must also assess the risk related to failing to achieve and maintain software products, which could result in recalls or withdrawals, product shortages, delays or failures in software delivery or other problems that could seriously harm ImpediMed's business.

The Risk Related to Product Liability, Privacy Laws and Cyber-security Breaches

In assessing the risk related to product liability and cyber security, the Group conducts extensive safety and penetration testing of new and current technology and regularly reviews customer complaints through its quality procedures and system.

The risk is present that ImpediMed's products could:

1) Cause harm or injury to users,
2) Be used off label,
3) Require a recall, or
4) Result in a breach to digital assets such as cyber security data.

ImpediMed relies on third party cloud computing and other information technology systems, especially for SOZO. Interruption, compromise to or failure of these systems may affect ImpediMed's ability to service its customers effectively. ImpediMed is vulnerable to data

breaches by employees and others with both permitted and unauthorised access which poses a risk that sensitive data may be exposed to the public or be permanently lost. A breach in security of, or a significant disruption in, ImpediMed's information technology systems could adversely affect ImpediMed's operating results, financial condition, reputation and brand.

Privacy laws around the world continue to develop and impose greater burdens on businesses when dealing with personally identifiable information. The laws are designed to give greater protections to data owners, improve transparency and require businesses to develop better privacy practices and security processes. Failure to do so can result in pecuniary penalties, negative publicity, damage to brand and a requirement to improve processes and controls, each of which, if they were to happen, could adversely affect ImpediMed's operating results, financial condition, reputation and brand.

The Effective Management of the Group's Supply Chain

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

The Effect of Changes in Laws, Healthcare Policy and Other Regulatory Issues

In assessing the effect of changes in laws, healthcare policy and other regulatory issues, the Group must assess the effect that unforeseen changes in laws and government policy could have in relation to material and unforeseen changes to:

1) Licensing and clearance requirements;
2) Regulations relating to clinical trials;
3) Manufacturing;
4) Product clearance; or
5) Pricing, including any tariffs and/or taxes.

Changes in laws healthcare policy and other regulatory issues could materially impact ImpediMed's operations, assets, contracts and profitability.

Brand and Reputation Risks

In assessing brand and reputation risks, the Group must assess the adverse effect that reputation damage or negative publicity could have on ImpediMed or its products as it relates to the Group's customer relationships, general business and ultimately its financial performance.

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

Environmental Regulations and Performance

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

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

There have been no significant known breaches of the license conditions or other environmental regulations. ImpediMed has an environmental health and safety management system, which includes regular monitoring, periodic auditing and reporting within the Group.

The system is designed to continually improve ImpediMed's performance and systems with training, regular review, improvement plans and corrective action as priorities.

Share Options and Performance Rights

Details of movements during the year related to options and performance rights for key management personnel are set out in the Remuneration Report.

Unissued Shares

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

Unissued Ordinary Shares	21 Aug 2019	30 Jun 2019
EIP (Employee Incentive Plan) Options	18,043,229	18,180,771
ESOP (Employee Share Option Plan) Options	10,865,130	10,865,130
Total Options	**28,908,359**	**29,045,901**
EIP Performance Rights	4,816,500	4,916,500
Total Performance Rights	**4,816,500**	**4,916,500**
Total Unissued Ordinary Shares	**33,724,859**	**33,962,401**

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

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

During the financial year, 1,560,364 ESOP options (2018: 1,387,619) and no EIP options (2018: nil) were exercised. In addition, no performance rights (2018: 2,080,000) vested under the EIP plan. Refer to Note 18 of the financial statements for further details of options exercised during the year.

During the financial year, 155,550 ESOP options (2018: 48,875) and 1,582,299 EIP options (2018: 2,670,130) were forfeited; 1,425,924 ESOP options (2018: 101,365) and no EIP options (2018: nil) expired. In addition, no performance rights (2018: 509,500) under the EIP plan were forfeited during the period. Refer to Note 18 of the financial statements for further details of options forfeited or expired during the year.

Shares Issued to KMP as a Result of the Exercise of Options

During the financial year, KMP exercised options to acquire 1,238,366 (2018: 958,970) fully paid ordinary shares in ImpediMed Limited at a weighted average exercise price of $0.12 per share (2018: $0.15). The weighted average exercise price of all options exercised during the period was $0.11 (2018: $0.19).

Indemnification and Insurance of Directors and Officers

The Group insured its Directors, Secretary and Executive Officers for the financial year ended 30 June 2019. Under the Group's Directors' and Officers' Liability Insurance Policy, the Group cannot release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium.

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

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

Indemnification of Auditors

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

Employees

As at 30 June 2019, ImpediMed and its subsidiaries had a total of 67 full and part-time employees (2018: 68 employees).

Diversity

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

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

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

The diversity policy defines the initiatives that assist the Group in maintaining and improving the diversity of its workforce. To the extent practicable, the Group will address the recommendations and guidance provided in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles).

ImpediMed's Commitment to Workplace Diversity

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

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

Level	30 June 19		30 June 18	
	Female	Total	Female	Total
Board of Directors	1	7	1	7
Executives	2	8	2	7
Senior Managers	5	11	4	14

Corporate Governance

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

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

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

Remuneration Report

Chapter 3



Remuneration Report

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

The report is structured into the following sections:

CONTENTS

SECTION 1	Introduction and Remuneration Committee Chair Letter	Page 36
SECTION 2	Key Management Personnel (KMP)	Page 39
SECTION 3	Remuneration Governance	Page 39
SECTION 4	Consequence of Performance on Shareholder Value	Page 41
SECTION 5	Executive Remuneration Philosophy and Strategy	Page 41
SECTION 6	Remuneration of Non-Executive Directors (NED)	Page 42
SECTION 7	Remuneration of Executives	Page 43
SECTION 8	Executive Contractual Arrangements	Page 52
SECTION 9	Managing Director and CEO (MD/CEO) Remuneration	Page 53
SECTION 10	Statutory Tables	Page 54
SECTION 11	Executive Comparator Group List	Page 59

Definitions	
Key Management Personnel (KMP)	Persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Group. KMP of the Group consists of **Non-Executive Directors** (**NEDs**), **Executive Directors** (**EDs**), and **Executives**. Refer to SECTION 2 of this report for a full list of the Group's KMP.
Non-Executive Directors	Directors of the Group that are not acting in an executive capacity.
Executive Director	Is a Director of the Group that is also acting in an executive capacity. The **Managing Director and CEO** (**MD/CEO**) of the Group is considered an Officer of the Group and an Executive Director.
Executives	Individuals defined as KMP that are Officers of the Group and not Non-Executive Directors of the Group.

SECTION 1

Remuneration Committee Chair Letter

Dear Shareholder,

On behalf of the Board, I present ImpediMed's Remuneration Report for financial year 2019.

The Group ended the financial year with over 400 SOZO units sold since launch, grew SOZO revenues by 164%, crossed the milestone of greater than 50% of revenues being generated from SOZO contracts and reported Total Contracted Revenue Pipeline of more than $8.7 million. This successful growth was partially the result of the Group announcing late in financial year 2019, the release of SOZO v3.0 software and the SOZO platform becoming Business Associate—compliant. In addition to these strong operational accomplishments, the Group also announced the long-awaited pre-specified interim results of its PREVENT trial which were presented at the 2019 Annual Meeting of the American Society of Breast Surgeons and published in the Annals of Surgical Oncology. Management also progressed the Heart Failure Program via a Peer-reviewed manuscript and poster focused on the use of BIS to aid in the monitoring of Heart Failure.

Despite the operational and development successes, the Board and executive team were not satisfied with the capital market's reaction and the decrease in share value during financial year 2019. To better align Executive KMP remuneration with shareholder return, the MD/CEO recommended that the Executive KMP long-term incentive compensation be reduced to zero for financial year 2019. In addition to better aligning Executive KMP remuneration with performance and shareholders, the foregoing of long-term incentive shares by Executive KMPs ensured there would be an adequate option pool to recruit and retain new employees. After careful consideration, the Remuneration Committee and Board approved the recommendation made by the MD/CEO.

Throughout financial year 2019 and looking forward into financial year 2020, the Board and Remuneration Committee have been focused on responding to items raised by the "first strike" against the 2018 Remuneration Report. Section 1.1 of the Remuneration Report accompanying this letter sets out the action we have taken in response to the concerns expressed by shareholders in 2018. We are working to improve both the communications and messaging regarding remuneration for directors and Executive KMP to provide greater transparency to our shareholders.

To reinforce the compensation adjustment made to the LTIs during financial year 2019, the Remuneration Committee continues to focus on ways to both conserve the Group's cash resources and at the same time, move the MD/CEO, CFO and NEDs to an equity remuneration model which better aligns with the risks and rewards of the shareholders.

The Remuneration Committee is recommending, for the financial year 2020 that the MD/CEO and CFO exchange 20% of their cash base salary for equity shares of the Group. The Remuneration Committee is also recommending that the NEDs exchange 100% of their cash Board fees for equity shares of the Group. The reduced cash remuneration outlays will allow management to better focus the Group's cash resources on growing and retaining its highly talented employee pool and advancing its development programs. Increasing the equity holdings of the MD/CEO, CFO and NEDs will better align them with the risks and rewards of our shareholders.

The Board, supported by the Remuneration Committee, is committed to good governance in remuneration and to ensuring that the Group's policies and practices are fair, competitive and responsible. The Board is also committed to open dialogue with shareholders and ensuring transparent communication of remuneration arrangements.

We look forward to the year ahead and are grateful for your continued support.



Don Williams, Non-Executive Director
Chair, Remuneration Committee

Remuneration Report (Audited)

Introduction

ImpediMed is committed to establishing a remuneration strategy that effectively aligns KMP remuneration with shareholder value creation and that supports achievement of the Group's strategic goals in essential areas, including product development, clinical trials, regulatory approvals and market expansion of its SOZO® product. The Board's Remuneration Committee works to balance Australian corporate governance and remuneration best-practices with the business' need to provide remuneration that will attract, retain and motivate key US-based executive talent in a highly competitive market.

ImpediMed's business strategy is to provide medical technology to measure, monitor and manage fluid status and tissue analysis. In the financial year 2019, the Group made significant achievements in product software development by delivering the SOZO® product platform to the market, expanding centres of excellence and obtaining clinical evidence supporting market adoption. In the financial year 2020, the plan is to aggressively drive a lymphoedema prevention program in key new centres and expand existing customers into additional oncological diseases using our SOZO® product platform with state-of-the-art BIS technology to seamlessly integrate into hospital, clinic and home settings. The Group will provide educational seminars to increase awareness of our technology, continue clinical and economic publications and actively pursue having our BIS technology included in clinical guidelines.

The Group's planned transformation to a high-growth medical technology company makes it critical to be able to retain and attract specialised talent, including the highly sought-after skilled information-technology talent that is necessary to achieve the important regulatory, clinical and commercial milestones on which the success of our strategy depends.

1.1. Response to Comments on the 2018 Remuneration Report

As noted in the Chairman's letter, the Board and Remuneration Committee have been focused on addressing the shareholder concerns that led to the "first strike" on the 2018 Remuneration Report at the 2018 AGM.

The table below summarises the Board's responses to the comments made by some shareholders and proxy advisers on the 2018 Remuneration Report. Additional detail on the Board's response is provided in this remuneration report.

Concern	ImpediMed Response
CEO's fixed remuneration appears high relative to peers of similar industry and size	No increase in fixed remuneration for financial year 2020; in addition, a portion of fixed remuneration to be exchanged for equity to increase performance linkage and conserve cash
Increased weighting of non-financial metrics for FY18, while not disclosing any specific targets CEO's target and maximum bonus was increased by 17 percent	Greater weight has been placed on financial metrics; The Group's comparator group mostly consists of US based companies. Increase was to better align CEO remuneration with comparator group peer companies of similar industry and size
Increase in LTI awards to the CEO, a majority of which are time-based options and half of which vest less than three years from grant date	No LTI awards were granted to MD/CEO and other Executive KMP in 2019
Although non-executive director fees appear to be reasonable relative to peers, the company has disclosed that it is evaluating the use of equity grants for NEDs in future years. This represents a departure from expected governance practice	Non-executive director fees to be delivered in shares instead of cash to increase alignment with shareholders and conserve cash

1.2. Remuneration Arrangements in Financial Year 2019

Performance-Based Remuneration

As noted above, the Remuneration Committee is committed to executive and shareholder alignment, and this is achieved via a remuneration philosophy with a significant performance orientation. The Remuneration Committee and KMP displayed this commitment in financial year 2019 with remuneration actions that considered internal and external factors impacting ImpediMed, namely the:

- First strike vote in financial year 2018,
- Financial and operational performance in financial year 2019, and
- Stock price performance through the end of financial year 2019.

Adhering to its pay for performance philosophy, the MD/CEO suggested, and the Remuneration Committee agreed, to forgo an LTI share-based grant in financial year 2019, acknowledging the challenging stock price circumstances and to reinforce the pay for performance philosophy. These decisions have affected Executive KMP and maintained alignment with shareholders. As an example, the total direct compensation plus the grant date value of LTI awards for 2018 LTI grants for the MD/CEO has decreased by approximately 52% when compared to what the value would be at 30 June 2019. As there were no LTI awards granted to the MD/CEO during the year ended 30 June 2019, the grant date value for LTI awards was nil in 2019 (2018: $1.8 million).

To further strengthen the pay for performance philosophy and better align KMPs and shareholders, we are intending to make select adjustments to our financial year 2020 Executive remuneration programmes. Specifically, we intend to remunerate certain senior executive staff including the MD/CEO with equity compensation, in the form of market value shares, in lieu of a portion of their cash Base Salary. The Remuneration Committee believes that this quick to implement, short-term revision, will not only reinforce our philosophy, but also conserve cash required for other, more urgent investment strategies.

Consistent with the changes to executive remuneration, the Remuneration Committee has also recommended to the Board that NED remuneration be changed to better align with shareholders. Specifically, the proposal is to fully exchange the financial year 2020 cash remuneration program for NEDs with an equity share program, in the form of market value shares to an equivalent amount of the cash foregone. We believe that the historical actions of the Remuneration Committee, the recent suggestions of the KMP team and the intended actions of both NEDs and Executive KMPs highlight ImpediMed's focus on delivering shareholder value and further aligning executive and NED interest with shareholders.

Comparator Groups

The Remuneration Committee conducted a comprehensive review of the Group's peer groups during the financial year 2019 to ensure that the benchmarks against which ImpediMed executive and board remuneration are assessed remain relevant and appropriate. Comparator companies are selected by reference to key characteristics including industry, financial size and labour market, reflecting ImpediMed's geographic footprint, which includes a listing on the Australian Securities Exchange (ASX) and a significant presence in the US, as the majority of the Group's Executives and NEDs reside in the US. No changes were made to the peer groups for the financial year 2019.

See SECTION 11 for details on the Comparator Groups.

1.3. Key Developments Expected for Financial Year 2020

Executive Remuneration

In financial year 2020, the Group will look to resume the transition to an increased weighting-of-performance-based equity in the LTI program. The proportion of Executive KMP equity grants that are subject to specified performance and service conditions, will likely be increased in the financial year 2020.
Consideration is being given to exchanging up to 20% of cash base salary with equity grants, in the form of market value shares, to manage its available cash resources and increase the alignment of executives with shareholders. The equity remuneration would be treated as part of fixed remuneration for financial year 2020.

Board Remuneration

The remuneration structure among US life sciences and medical technology companies typically includes a significantly weighted equity component for board members. With a majority of the ImpediMed Board being US based, the Board is considering the use of equity remuneration in lieu of cash for NEDs for financial year 2020. The use of equity remuneration will allow the Group to better utilise its available cash resources, to increase alignment to shareholders and

also to retain and attract NEDs that have the specific background and experience required by the Group (e.g. regulatory regime, reimbursement environment) in the highly competitive US healthcare industry.

SECTION 2

Key Management Personnel

For the purposes of this report, the Key Management Personnel (KMP) of the Group are those persons defined as having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group. This information has been audited as required by section 308(3C) of the Act.

Directors	
Scott Ward	Chairman and Non-executive Director
Judith Downes	Non-executive Director
Gary Goetzke	Non-executive Director
Robert Graham	Non-executive Director
Amit Patel	Non-executive Director
Donald Williams	Non-executive Director
Richard Carreon	Managing Director and Chief Executive Officer
Executives (i)	
Morten Vigeland	Chief Financial Officer
Shashi Tripathi	Chief Technology Officer
David Adams	Senior Vice President Operations and Strategic Planning
Catherine Kingsford	Senior Vice President Medical Affairs
Dennis Schlaht	Senior Vice President R&D and Technology

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

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

SECTION 3

Remuneration Governance

3.1. Role of the Remuneration Committee

The Remuneration Committee of the Board of Directors of the Group is responsible for making recommendations to the Board on the remuneration arrangements for the Non-Executive Directors (NED), Executive Directors (ED), the Managing Director and Chief Executive Officer (MD/CEO) and Executives reporting to the MD/CEO.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Executives and NEDs on a periodic basis by reference to relevant employment market conditions, with the overall objective of maximising shareholder benefit by attracting and retaining high-quality, high-performing Executives and NEDs. In determining the level and composition of Executive remuneration, the Remuneration Committee may also engage external consultants to provide independent advice.

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

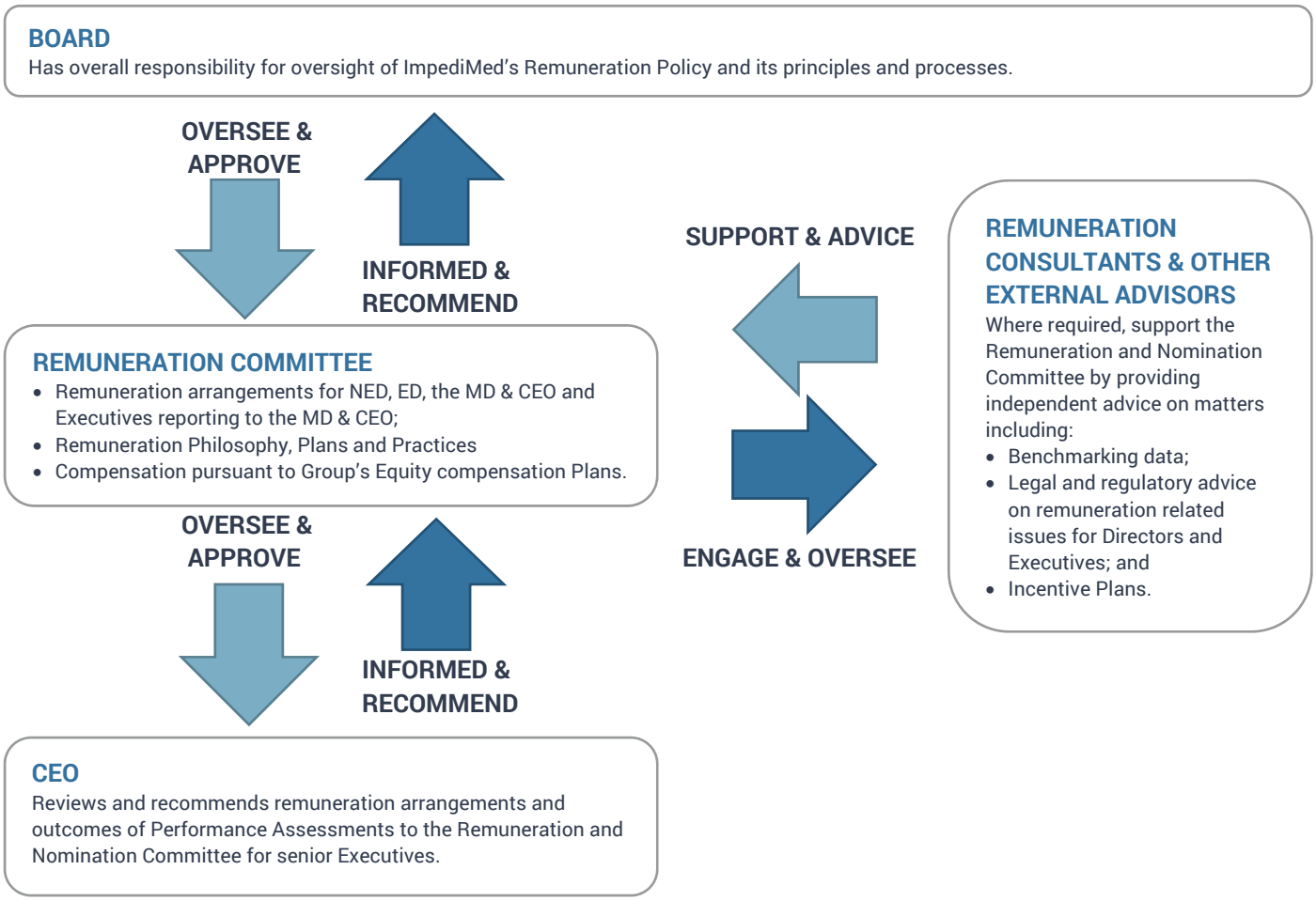
- Donald Williams (Chair since November 2017)
- Scott Ward
- Gary Goetzke
- Robert Graham

3.2. Services from Remuneration Consultants

The Remuneration Committee has obtained remuneration consulting services from Willis Towers Watson (WTW) since December 2016. The WTW consulting team to ImpediMed includes consultants based in the same geographies where concentrations of ImpediMed employees are based including Australia and the US. Matters on which WTW has assisted the Remuneration Committee include:

- Assisting with review and assessment of the 2018 first strike vote;
- Reviewing the Group's remuneration philosophy;
- Recommending a peer group for remuneration benchmarking;
- Reviewing incentive plan designs to ensure the plans are attentive to Australian governance standards and responsive to a primarily US-based management team and NED group;
- Analysing share utilization and equity usage;
- Assisting with the preparation and review of the annual Remuneration Report.

The engagement of WTW was undertaken directly by the Board, independent of Management, and is based on an agreed set of protocols governing the engagement, which was developed by WTW and provided to the Board. The work undertaken by WTW in financial year 2019 did not constitute a remuneration recommendation for the purposes of the Corporations Act 2001. Consulting fees from WTW during the year ended 30 June 2019 totaled $48,000.



SECTION 4

Consequences of Performance on Shareholder Value

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

Amount $	2019	2018 (restated)	2017	2016	2015
SOZO Revenue (Millions)	$2.3	$0.7	$0.1	nil	nil
Change in SOZO Revenue	229%	600%	N/A	N/A	N/A
Total Medical Revenue (Millions)	$4.2	$3.3	$4.8	$4.1	$3.0
Change in Medical Revenue	27%	(31)%	17%	37%	20%
Net Loss Attributable to Equity Holders of the Parent Entity (000's)	($24,123)	($27,372)	($27,571)	($25,980)	($14,797)
Dividends Paid	nil	nil	nil	nil	nil
Share Price at 30 June	$0.114	$0.395	$0.75	$0.95	$0.87
Change in Share Price	(71)%	(47)%	(21)%	9%	358%
Market Cap (Millions)	$43.30	$149.70	$281.64	$352.50	$253.70

SECTION 5

Executive Remuneration Philosophy and Strategy

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

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

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

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

- Align remuneration with the Group's business strategy, remuneration philosophy and interests of shareholders
- Offer an attractive mix of remuneration benchmarked against the peer group
- Provide strong linkage between individual and Group performance and rewards
- Offer remuneration based on internal comparison with other employees and matching the role

requirements with the skills, experience and responsibilities of individual executives. Support the corporate mission statement, values and policies through recruiting, organising and managing high achieving individuals committed to the Group's success

While continuing to pursue this remuneration strategy, the Remuneration Committee and Board vary arrangements as needed to meet immediate priorities. During financial year 2019, for example, as recommended by the MD/CEO, planned LTI equity awards were not made to Executive KMP.

In addition, for financial year 2020, consideration is being given to providing up to 20% of the base salary of Executive KMP in the form of equity, in the form of market value shares. This quick-to-implement modification to the historical cash-based salary will allow greater flexibility to manage available cash resources and increase the alignment of executives' remuneration to shareholders' expectations.

SECTION 6

Remuneration of Non-Executive Directors (NEDs)

The Remuneration Committee considers the level of remuneration required to attract and retain highly qualified Non-Executive Directors with the necessary skills and experience for the Group's board. This remuneration is reviewed annually with regard to market practice and NED duties, responsibilities and accountability. This remuneration was reviewed in 2019 relative to similarly sized ASX-listed companies in the healthcare sector, as well as medical technology companies in the US, given NED membership is currently 67% US and 33% Australian.

NED fees are determined within an aggregate Directors' fee pool, approved by shareholders at the annual general meeting (AGM). The maximum aggregate remuneration approved in 2015 was $800,000. The sum of NED fees, including committee-related fees paid in 2019, was $619,235 (2018: $586,931).

A majority of Board members are based in the US where the healthcare industry is highly competitive and typically structures remuneration so that it is heavy weighting toward equity. To assist the company in managing its available cash resources, increase the alignment of the NED remuneration with shareholders' interests and ensure that NED remuneration is attractive in both Australia and the US, for financial year 2020, consideration is being given to providing NED remuneration in the form of equity, in the form of market value shares, in lieu of cash. The Group's current NED remuneration is positioned around the lower quartile of the US peer group, with the lack of equity contributing to this lower competitive positioning.

Table 10.1 shows individual Director fees paid during the financial year ended 30 June 2019.

SECTION 7

Remuneration of Executives

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

As described in SECTION 5, the framework for executive remuneration at ImpediMed is based upon a remuneration philosophy and strategy established by the Remuneration Committee and approved by the Board of Directors. The Remuneration Committee references benchmarking data from peer groups of comparable companies and reviews the pay plans and practices of other relevant companies, as well as input from independent remuneration consultants.

In the financial year ended 30 June 2019, the remuneration structure for Executive KMP and other select employees consisted of the following elements:

Component	Performance Measure	Strategic Objectives and Link to Performance
FIXED REMUNERATION: Base salary, superannuation, employee health benefits and any salary sacrificed benefits.	The fixed remuneration is not performance related. It is set having regard for: - Experience and qualifications of the individual - Responsibilities and criticality of role - Remuneration paid to similar roles by Comparator Companies	- Offer an attractive mix of remuneration benchmarked against the applicable market-region and country practices
SHORT—TERM INCENTIVE (STI): Cash-based incentive awarded for the achievement of ImpediMed's Operating Plan objectives measured over a one-year performance period.	Financial KPIs (50%): - Total Revenue - Contracted Revenue Pipeline (CRP) (i) - EBITDA (i) Non-financial KPIs (50%): - Corporate goals that promote product adoption in the marketplace, including: - Medical evidence milestones that influence treatment protocols - Product development milestones that improve customer acquisition and retention - Clinical research that supports the expansion of the addressable market for the Group's products	- Align remuneration with the Group's business strategy - Align the interests of executives and shareholders and share the success of the Group with the employees - Provide strong linkage between individual and Group performance and rewards - To attract and retain the key talent needed to deliver on our corporate objectives and strategic plan
LONG—TERM INCENTIVE (LTI): Equity based incentive, comprising a mix of Options and Performance Rights for Group Performance over the long-term.	No LTI equity awards were made to Executive KMP during the financial year 2019, except in relation to a new-hire grant to the CTO.	

(i) CRP and EBITDA are unaudited, non-AASB financial metrics that do not represent revenue in accordance with Australian Accounting Standards. Refer to the Directors' Report for a glossary of non-AASB financial terms used by the Group.

7.1. Fixed Remuneration

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

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

As described in SECTION 5, fixed remuneration for Executives is determined based upon bench-marking data from a peer group of comparable companies. In addition to reviewing benchmarking survey data, when setting fixed remuneration for any given role, the Remuneration Committee has regard to the experience, qualifications and skill set of the individual, as well as the responsibilities and criticality of the role.

As noted above, consideration is being given to exchanging up to 20% of the base salary for Executive KMP with equity. Any such equity awards will be treated as part of fixed remuneration.

7.2. Short-Term Incentive (STI)

The STI plan is a cash-based incentive that is awarded based on annual performance. In the financial year ended 30 June 2019, the STI Plan focused on both Group and Individual performance. The remuneration philosophy at ImpediMed targets variable remuneration above the median for exceptional performance and the STI aims to encourage performance over and above what is expected as part of the ordinary course of business. The key features of the STI plan for the financial year ended 30 June 2019 are outlined below:

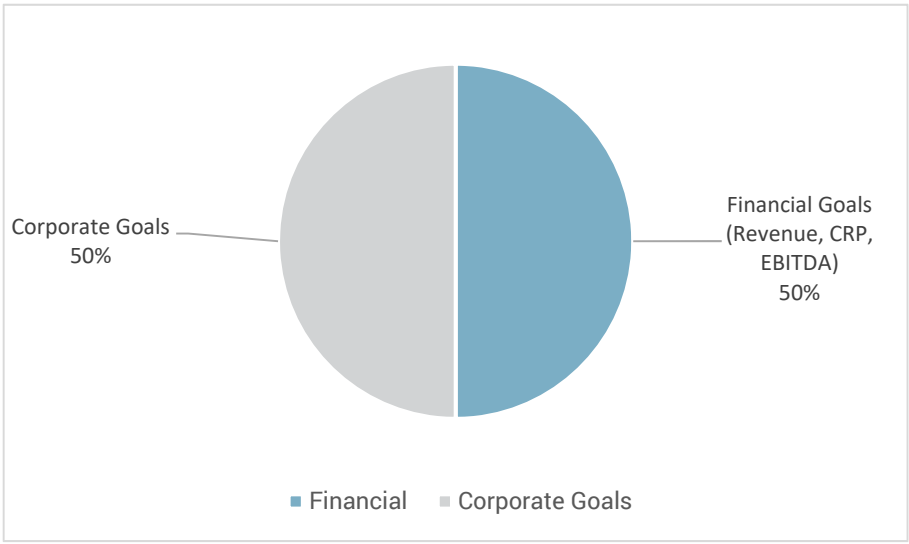
<table>
<tr><td>Participants</td><td>KMP and other selected employees</td></tr>
<tr><td>Award Type</td><td>Cash</td></tr>
<tr><td>Opportunity</td><td>The percentage of the target STI opportunity for the financial year 2019 has been expressed as a percentage of Total Fixed Remuneration (TFR) in the table below:

<table>
<tr><th>KMP</th><th>Target STI %</th></tr>
<tr><td>MD/CEO</td><td>70%</td></tr>
<tr><td>CFO</td><td>40%</td></tr>
<tr><td>CTO</td><td>40%</td></tr>
<tr><td>SVP Operations and Strategic Planning</td><td>40%</td></tr>
<tr><td>SVP Medical Affairs</td><td>40%</td></tr>
<tr><td>SVP R&D and Technology</td><td>40%</td></tr>
</table>

Actual STI payments awarded depend on the extent to which specific key performance indicator (KPI) targets are achieved, as follows:
- Threshold performance – 50% of target opportunity
- At target performance – 100% of target opportunity
- Maximum performance – 150% of target opportunity for Executives; 200% of target opportunity for MD/CEO

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

Targets are set with a level of ‘stretch’ built-in, and therefore, maximum performance for any STI is only achieved in respect of exceptional performance.</td></tr>
<tr><td>Performance Period</td><td>The performance period is the 12-month financial year.</td></tr>
<tr><td>Performance Conditions</td><td>For the financial year ended 30 June 2019, the KPIs for KMP are included in the diagram below:



Additional detail is provided in section 7.2.1.</td></tr>
</table>

7.2.1 STI Performance Conditions and Outcomes

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

For the financial year ended 30 June 2019, all Executive KMP had common KPIs.

KPI	Key Achievements & KPI Outcomes
Financial Goals: 50% Key financial goals that are directly tied to performance results, leading indicators of long-term growth and management of a set operating plan.	**KPI Assessment: Between Minimum and At Plan** Achieved 31.1% of the 50% target performance (MD/CEO: 34.3% achievement) for the various objectives.
Revenue: Revenue growth reflects increased marketplace adoption that has already occurred. Contracted Revenue Pipeline (CRP): CRP is a leading indicator of revenue growth. EBITDA (Loss from continuing operations): Narrowing of loss shows progress towards profitability.	Revenue increased 27% to $4.2M (2018: $3.3M). CRP increased 149% to $8.7M (2018: $3.5M). Loss from continuing operations decreased 12% to $(24.0)M [2018: $(27.2)M].
Corporate Strategic Goals: 50% Performance conditions were selected because their achievement will increase adoption of the Group's technology, sales, utilization and improved patient care which contribute to future revenue growth and shareholder value.	**KPI Assessment: Maximum** Achieved 75.0% of the 50% target performance (MD/CEO: 100.0% achievement) for the various objectives.
SOZO Software updates: Selected because updated SOZO software shortens the time to product installation and enhances usability for physicians, which may help drive adoption and allows ImpediMed to collect and analyze data for future improvements. Multi-center Heart Failure study advancements Selected because study supports the expanded use of SOZO technology in other therapeutic indications (i.e. Heart Failure (HF)). PREVENT – publishing results of interim data Selected because clinical data from the PREVENT trial may influence physician practices, increasing standards of patient care that can prevent lymphoedema and drive further adoption of ImpediMed's technology.	SOZO Software version 3.0 introduced. Data was published in a peer-reviewed medical journal, Cardiology & Vascular Research. Posters were accepted and data was presented at 2 cardiology focused scientific meetings, American Heart Congress and 23rd World Congress on Heart Disease. Presented and published interim results in a peer reviewed journal, Annals of Surgical Oncology; presented at ASBrS, a major medical congress.

7.2.2 STI Outcomes

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

KMP	Target STI Opportunity USD	STI Outcome USD (i)	Target STI Opportunity AUD (ii)	STI Outcome AUD (i)	% Achieved (i)
R Carreon MD/CEO	361,434	485,297	505,410	678,614	134.3%
M Vigeland CFO	140,935	149,518	197,076	209,078	106.1%
S Tripathi CTO	124,000	131,552	173,395	183,955	106.1%
D Adams SVP Operations and Strategic Planning	126,579	134,287	177,001	187,780	106.1%
C Kingsford SVP Medical Affairs	97,102	103,016	135,782	144,052	106.1%
D Schlaht SVP, R&D and Technology	119,202	126,462	166,686	176,838	106.1%

(i) MD/CEO outcome based on 200% maximum performance; remaining KMP based on 150% maximum performance.
(ii) The Target STI opportunity displayed in the above table is calculated based on the average exchange rate for the year.

7.3 Long-Term Incentive (LTI)

The Board offers LTIs to reward the performance of Executives in alignment with shareholders' interests and the long-term benefit of the Group. As noted previously, no LTI grants were made to Executives in 2019, except in relation to a new-hire grant to the CTO.

The key features of the LTI plan are outlined below:

<table>
<tr><td>Participants</td><td>Executives, and other selected employees and consultants, at the discretion of the Board.</td></tr>
<tr><td>Award Type</td><td>In order to balance the objectives of U.S. and Australian remuneration practices, IPD's LTI grant policy balances the objectives and marketplace practices in the U.S. and Australia. Options are typically granted subject to time-based vesting (as is common in the US) and do not deliver any value in the absence of share-price appreciation. To align with Australian practices, over time IPD has increased the weighting on performance-based rights in the LTI portfolio.
Each Option entitles the holder to one fully paid ordinary share of ImpediMed Limited at an exercise price based on the five (5) day Volume Weighted Average Price (VWAP) at close-of-business when granted.

Each Performance Right is subject to achieving LTI Hurdles.

In financial year 2020, it is envisioned that a greater portion of LTI grants will be performance based with a likely mix of 50% Options and 50% Performance Rights.</td></tr>
<tr><td>Opportunity</td><td>No annual LTI grants were made to Executive KMP in the financial year ended 30 June 2019, except in relation to a new-hire grant to the CTO. The value of the LTI awards made for the years ended 30 June 2019 and 2018 have been expressed as a percentage of TFR in the table below:

<table>
<tr><th>KMP</th><th>2019 LTI Opportunity</th><th>2018 LTI Opportunity</th></tr>
<tr><td>MD/CEO</td><td>No LTI Grant</td><td>262%</td></tr>
<tr><td>CFO</td><td>No LTI Grant</td><td>110%</td></tr>
<tr><td>CTO</td><td>51%</td><td>N/A</td></tr>
<tr><td>SVP Operations and Strategic Planning</td><td>No LTI Grant</td><td>108%</td></tr>
<tr><td>SVP Medical Affairs</td><td>No LTI Grant</td><td>109%</td></tr>
<tr><td>SVP R&D and Technology</td><td>No LTI Grant</td><td>109%</td></tr>
</table>

Performance conditions are typically equally weighted with:
• Minimum Threshold - 50% of "Plan"
• Plan - 100% of "Plan"
• Maximum - 150% of "Plan" / MD/CEO 200% of "Plan"</td></tr>
<tr><td>Performance Period</td><td>No annual LTI grants were made in the year ended 30 June 2019, except in relation to a new-hire grant to the CTO. For LTI awarded in the year ended 30 June 2018:
• Options vest annually in equal portions over a four (4) year period; and
• Performance Rights vest based on performance over three (3) years.</td></tr>
<tr><td>Performance Conditions</td><td>No annual LTI grants were made to executives in the year ended 30 June 2019, except in relation to a new-hire grant to the CTO. For Performance Rights awarded in the year ended 30 June 2018, the Board as-signed performance hurdles to increase the focus on supporting the Group's long-term business strategy and shareholder value. The performance hurdles include a minimum of three strategic measures and require the achievement of key milestone objectives.

Each Performance Right awarded in the financial year 2018 is subject to achieving LTI Hurdles related to the following objectives:
• Heart Failure Pivotal trial or enrolment in HF Registry milestone
• Revenue Growth milestone

These performance conditions were selected because their achievement in the defined timeframe is critical to the company's success and drives long-term value-creation.</td></tr>
</table>

	Due to the commercially sensitive nature of the specific performance metrics within these KPI's, ImpediMed will provide further details in the annual report following the end of the performance period.
Treatment of Dividends on Unvested Awards	The LTI instruments do not carry dividend or voting rights prior to vesting.
Leaver Provisions	Where a participant ceases employment prior to vesting, the award is forfeited unless the Board applies its discretion to allow vesting at, or post, cessation of employment.
Clawback Provisions	Provides the Board discretion to clawback variable pay of LTI participants in the event of serious misconduct or fraud by the employee or other specific events.
Change of Control	In a situation where there is likely to be a change of control of the Group, the Board may have the discretion to determine whether some, none or all of the LTI instruments will vest.

The Remuneration Committee aims to prudently manage dilution and the accounting-cost of executive equity plans, while leveraging long-term incentives to maintain shareholder alignment and execution of the business strategy. Periodically the remuneration committee reviews capacity levels of LTI plans. The last time the capacity was increased was in November 2017.

7.3.1 LTI Performance Conditions and Outcomes

For grants made in financial year 2017, in addition to time-based requirements, performance rights also included specific challenging performance conditions which needed to be satisfied in order for the rights to vest. The table below provides an overview of ImpediMed's performance against the performance conditions applicable to performance rights granted to Executive KMP for the period of 1 July 2017 to 30 June 2019. Each performance condition was set with reference to minimum, at-plan or maximum achievement.

Performance Condition	Key Achievements & Performance Outcomes
HF Study: 33.33%	**KPI Assessment: Minimum** Achieved 16.7% of the 33.33% target performance (MD $ CEO: 16.7% achievement) for the objectives as detailed below.
Multi-center Heart Failure study, published results Selected to measure progress towards developing evidence of the effectiveness of IPD's technology in monitoring patients with HF to improve patients' lives with more accurate, individualized care, while also providing savings to the healthcare system.	Achievement: Data was published in a peer-reviewed medical journal; posters were accepted, and data were presented at 2 cardiology focused scientific meetings. Plan and Maximum levels of performance were not achieved. Plan: Completion of follow-up of pivotal study. Maximum: Published manuscript in A/B level journal with podium-presentation at specialty congress or establishment of national HF registry.
Regulatory: 33.33%	**KPI Assessment: Maximum** Achieved 50.0% of the 33.33% target performance (MD/CEO: 66.7% achievement) for the objectives as detailed below.
Obtain regulatory clearance for additional indications including fluid management of patients with HF Selected to measure progress towards expanding addressable market for IPD's technology	Achievement: Received clearance not only for HF, but also for the additional indication of Bilateral for Lymphoedema where a patient is at risk in either both arms or both legs. Maximum level of performance achieved. Plan: Regulatory clearance approval for monitoring fluid in patients with heart failure Maximum: Regulatory clearance/approval for monitoring fluid status in patients with heart failure and at least one additional indication
Lymphoedema Study: 33.34%	**KPI Assessment: Maximum** Achieved 50.0% of the 33.34% target performance (MD/CEO: 66.7% achievement) for the objectives as detailed below.
Lymphoedema Study; published results Selected to measure progress towards obtaining clinical data which may influence physician practices, increasing standards of patient care that can prevent lymphoedema and drive further adoption of ImpediMed's technology	Achievement: Presented and published interim results in a peer-reviewed journal; presented at ASBrS, a major medical congress. Maximum level of performance achieved. Plan: Publish interim results in a peer reviewed A/B level journal Maximum: Present trial data at a major medical congress

These rights will vest in the financial year 2020, subject to satisfying the remaining time-based requirements related to the grant.

7.3.2 LTI Outcomes

The following table provides the percent and number of performance rights that vested as a result of the performance summarized above.

KMP	% Performance Hurdles Achieved (compared to at Plan)	# Performance Rights to Vest (subject to remaining time-based requirements)	AUD Value of Performance To Vest ($0.114 share price at 30 June 2019)
Richard Carreon MD/CEO	150.0%	352,501	$40,185
Morten Vigeland CFO	116.7%	95,666	$10,906
Catherine Kingsford SVP Medical Affairs	116.7%	81,666	$9,310
Dennis Schlaht SVP, R&D and Technology	116.7%	80,500	$9,177

7.4 Minimum Shareholding Requirement

The Board introduced a minimum shareholding requirement in financial year 2016 to ensure that Executives and NEDs build and maintain substantial shareholdings in the Group to align their long-term interests with that of shareholders.

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

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

As at the date of this report Judith Downes (appointed April 2017), Gary Goetzke (appointed August 2016), Donald Williams (appointed March 2017), Amit Patel (appointed March 2017) and Robert Graham (appointed November 2017) are within the first five years of their minimum shareholding requirement. Scott Ward (appointed July 2013) previously met the requirement, but this changed due to the decrease in ImpediMed's share price. Delivering fees in equity, in the form of market value shares, will support NEDs in meeting the shareholding requirement. The Company will continue to monitor progress towards the minimum shareholding requirement of each NED.

SECTION 8

Managing Director and CEO Remuneration

Mr Carreon's fixed remuneration at 30 June 2019 was USD $516,334 (2018: USD $501,295) plus non-monetary health benefits, following the Board's approval of the Remuneration Committee's recommendation to increase Mr Carreon's fixed remuneration for financial year 2019, based on his performance and external benchmarking undertaken during that year. Translated to AUD, the fixed remuneration at 30 June 2019 was AUD $722,014 (2018: AUD $646,690). As noted above, for the financial year 2020, consideration is being given to exchanging up to 20% of the base salary and STI of the MD/CEO with equity, in the form of market value shares. Any such equity award will be treated as part of remuneration.

Mr Carreon's STI performance conditions and outcomes have been detailed in section 7.2.1 and 7.2.2. During the financial year 2019, the Board did not issue any Options (2018: 1,553,000) or Performance Rights (2018: 1,262,000) to Mr Carreon under the EIP. The Options and Performance Rights approved by shareholders at the 2018 AGM were not granted to Mr Carreon.

The Options granted to Mr Carreon in 2018 consisted of a mix of incentive stock options (ISO) and non-statutory stock options (NSO). Subject in all cases to continuous employment with the Group, the Options will vest over a four-year period, with one-quarter of the number of total options granted vesting annually, on each one-year anniversary of the date of grant. Additionally, if in the opinion of the Board a Change of Control has occurred or is likely to occur, the Board may declare an Option to be free of any Vesting Conditions as detailed in Rule 5.3(b) of the Plan.

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

The Performance Rights granted to Mr. Carreon in 2018 were issued for nil consideration when the closing price of a share on ASX on the date of grant was $0.815. Subject in all cases to continuous employment with the Group, the Performance Rights will vest on the third anniversary of the date of grant to the extent that relevant performance hurdles are satisfied. The extent to which a performance condition is satisfied will be determined by the Remuneration Committee with a recommendation to the Board, whose decision is final and binding on the Participant. The Remuneration Committee may determine that a performance condition has been satisfied at or between "minimum" and "maximum", in which case the percentage of performance rights that vest will be determined by the Remuneration Committee. If any performance rights do not vest (as determined by the Remuneration Committee), those performance rights will lapse.

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

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

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

SECTION 9

Executive Contractual Arrangements

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

	Notice Period	Payment in Lieu of Notice	Treatment of STI and LTI on Termination
Managing Director			
R Carreon	12 months	12 months	Unvested awards forfeited
Executives			
M Vigeland	9 months	9 months	Unvested awards forfeited
S Tripathi	9 months	9 months	Unvested awards forfeited
D Adams	9 months	9 months	Unvested awards forfeited
C Kingsford	6 months	6 months	Unvested awards forfeited
D Schlaht	6 months	6 months	Unvested awards forfeited

SECTION 10

Statutory Tables

10.1 Remuneration of KMP for the Year Ended 30 2019

30 June 2019	Short-Term Benefits			Post-Employment	Long-Term Benefits	Share-Based Payments		Performance Related	
$AUD	Base Salaries & Fees	STI Award	Non-Monetary	Super-annuation	Long Service Leave	LTI Awards	Total	STI as % of Total	LTI as % of Total
Directors									
S Ward (i) (ii)	160,181	-	-	-	-	-	160,181	0%	0%
J Downes	75,000	-	-	7,125	-	-	82,125	0%	0%
R Graham (iv)	67,500	-	-	6,413	-	-	73,913	0%	0%
G Goetzke (i)	94,040	-	-	-	-	-	94,040	0%	0%
A Patel (i)	94,040	-	-	-	-	-	94,040	0%	0%
D Williams (i)	114,937	-	-	-	-	-	114,937	0%	0%
R Carreon (i) (v) (vi)	722,014	678,614	21,448	24,050	-	1,051,847	2,497,973	27%	42%
Executives									
M Vigeland (i) (v) (vi)	492,689	209,078	27,505	18,065	-	302,258	1,049,595	20%	29%
D Adams (i) (v) (vi)	433,488	183,955	24,794	17,293	-	92,247	751,777	24%	12%
S Tripathi (i) (v) (vi) (vii)	442,503	187,780	26,528	18,323	-	310,618	985,752	19%	32%
C Kingsford (vi)	339,456	144,052	-	44,250	9,356	258,322	795,436	18%	33%
D Schlaht (i) (v) (vi)	416,716	176,838	25,765	11,112	-	253,719	884,150	20%	29%
Total	**3,452,564**	**1,580,317**	**126,040**	**146,631**	**9,356**	**2,269,011**	**7,583,919**		

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

(i) Certain Directors and Executives are based in the US and are paid in USD. The total compensation is therefore translated for financial reporting purposes to AUD on a monthly basis. Share-based compensation includes the expense during the financial year of all awards regardless of the financial year awarded.

(ii) S Ward was appointed Chairman of the Board in November 2017, resulting in an increase in fees when compared to the prior year.

(iii) C Hirst AO retired from the Board in November 2017.

(iv) R Graham was appointed to the Board in November 2017.

(v) Non-monetary benefits for US based employees include the payment of certain health and disability related insurance premiums as is customary in the US market.

(vi) The fair value of the equity-settled share options granted under the EIP plan are estimated as at the date of grant using the Black Scholes option valuation model, while share options granted under the ESOP schemes are estimated as at the date of grant using either the Black Scholes option valuation model or the Monte Carlo Simulation (if there is a restriction on the share price for exercisability of the option). The fair value of equity-settled performance rights granted under the EIP plan are calculated at the date of grant using the share price from the close of business on the day prior to the date of grant.

(vii) S Tripathi was hired in July 2018.

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

10.1 Remuneration of KMP for the Year Ended 30 2018

30 June 2018	Short-Term Benefits			Post-Employment	Long-Term Benefits	Share-Based Payments		Performance Related	
$AUD	Salaries & Fees	STI Award	Non-Monetary	Super-annuation	Long Service Leave	LTI Awards	Total	STI as % of Total	LTI as % of Total
Directors									
S Ward (i) (ii)	129,313	-	-	-	-	-	129,313	0%	0%
C Hirst (iii)	52,500	-	-	4,987	-	-	57,487	0%	0%
J Downes	75,000	-	-	7,125	-	-	82,125	0%	0%
R Graham (iv)	42,013	-	-	3,991	-	-	46,004	0%	0%
G Goetzke (i)	86,968	-	-	-	-	-	86,968	0%	0%
A Patel (i)	86,968	-	-	-	-	-	86,968	0%	0%
D Williams (i)	98,066	-	-	-	-	-	98,066	0%	0%
R Carreon (i) (v) (vi)	646,690	508,816	18,340	21,961	-	1,199,967	2,395,774	21%	50%
Executives									
M Vigeland (i) (v) (vi)	441,290	167,514	21,225	16,181	-	392,914	1,039,124	16%	38%
D Adams (i) (v) (vi)	396,339	150,450	23,717	15,854	-	322,655	909,015	17%	35%
C Kingsford (vi)	332,800	126,331	-	42,706	6,908	347,700	856,445	15%	41%
D Schlaht (i) (v) (vi)	373,242	141,683	23,366	9,953	-	310,448	858,692	16%	36%
Total	**2,761,189**	**1,094,794**	**86,648**	**122,758**	**6,908**	**2,573,684**	**6,645,981**		

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

(i) Certain Directors and Executives are based in the US and are paid in USD. The total compensation is therefore translated for financial reporting purposes to AUD on a monthly basis Share-based compensation includes the expense during the financial year of all awards regardless of the financial year awarded.
(ii) S Ward was appointed Chairman of the Board in November 2017, resulting in an increase in fees when compared to the prior year.
(iii) C Hirst AO retired from the Board in November 2017.
(iv) R Graham was appointed to the Board in November 2017.
(v) Non-monetary benefits for US based employees include the payment of certain health and disability related insurance premiums as is customary in the US market.
(vi) The fair value of the equity-settled share options granted under the EIP plan are estimated as at the date of grant using the Black Scholes option valuation model, while share options granted under the ESOP schemes are estimated as at the date of grant using either the Black Scholes option valuation model or the Monte Carlo Simulation (if there is a restriction on the share price for exercisability of the option). The fair value of equity-settled performance rights granted under the EIP plan are calculated at the date of grant using the share price from the close of business on the day prior to the date of grant.
(vii) S Tripathi was hired in July 2018.

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

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

(A) OPTIONS

30 June 2019	Numbers	Grant Date	Value per Option at Grant Date ($)	Exercise Price per Option ($)	Expiry Date for Option Vested	Vested Number of Options this Year (#)	Fair Value of Options Granted During Year ($)	Number of Options Lapsed During Year (#)
Executives								
R Carreon		24-Apr-14	0.1147	0.2100	30-Jun-19			639,222
R Carreon		04-Dec-14	0.3781	0.6900	04-Dec-21	512,000		-
R Carreon		03-Nov-15	0.5906	1.0000	01-Jul-22	128,125		-
R Carreon		14-Nov-16	0.9458	1.4600	14-Nov-23	218,000		-
R Carreon		15-Nov-17	0.4963	0.8150	15-Nov-24	388,250		-
M Vigeland		02-May-11	0.4307	0.6800	31-Dec-18			16,666
M Vigeland		07-Oct-11	0.3567	0.4600	30-Jun-19			25,000
M Vigeland		24-Apr-14	0.1147	0.2100	30-Jun-19			94,950
M Vigeland		04-Dec-14	0.3781	0.6900	04-Dec-21	247,000		-
M Vigeland		01-Jul-15	0.5240	0.8700	01-Jul-22	59,375		-
M Vigeland		25-Oct-16	1.0269	1.6600	25-Oct-23	75,750		-
M Vigeland		15-Nov-17	0.4963	0.8150	15-Nov-24	57,500		-
S Tripathi	515,000	31-Jul-18	0.2258	0.5200	31-Jul-2025		116,292	-
D Adams		14-Nov-16	0.9459	1.4600	14-Nov-23	83,750		-
D Adams		15-Nov-17	0.4963	0.8150	15-Nov-24	119,000		-
C Kingsford		07-Oct-2011	0.3567	0.4600	31-Dec-2018			8,333
C Kingsford		07-Oct-2011	0.3567	0.4600	30-Jun-2019			28,333
C Kingsford		24-Apr-2014	0.1147	0.2100	30-Jun-2019			69,950
C Kingsford		04-Dec-14	0.3781	0.6900	04-Dec-21	104,382		-
C Kingsford		01-Jul-15	0.5240	0.8700	01-Jul-22	46,875		-
C Kingsford		25-Oct-16	1.0269	1.6600	25-Oct-23	65,000		-
C Kingsford		15-Nov-17	0.4963	0.8150	15-Nov-24	102,500		-
D Schlaht		07-Oct-2011	0.3186	0.5000	31-Dec-2018			23,333
D Schlaht		07-Oct-2011	0.3186	0.5000	30-Jun-2019			33,333
D Schlaht		24-Apr-2014	0.1147	0.2100	30-Jun-2019			69,950
D Schlaht		04-Dec-14	0.3781	0.6900	04-Dec-21	163,750		-
D Schlaht		01-Jul-15	0.5240	0.8700	01-Jul-22	34,375		-
D Schlaht		25-Oct-16	1.0269	1.6600	25-Oct-23	64,500		-
D Schlaht		15-Nov-17	0.4963	0.8150	15-Nov-24	112,000		-
Total	**515,000**					**2,582,132**	**116,292**	**1,009,070**

(B) PERFORMANCE RIGHTS

Granted	Terms and Conditions of Each Grant					Vested
30 June 2019	**Numbers**	**Grant Date**	**Value per Perf Right at Grant Date ($)**	**Expiry Date for Perf Right Vested During Year**	**Number of Perf Rights (#)**	**Of Perf Rights Granted During Year ($)**
Executives						
S Tripathi (i)	310,000	31-Jul-2018	0.4050	31-Jul-2021		
Total	**310,000**					

(i) Performance rights granted in financial year 2019 have time and performance-based vesting criteria. Refer to Note 18 for additional information.

10.3 Remuneration Awards: Awards Held by Key Management Personnel

(A) OPTIONS

30 June 2019	Held at the Start of the Period	Granted During Period	Exercised During Period	Options of Other Changes (i)	Held at the End of the Period	Options Vested and Exercisable
	No.	No.	No.	No.	No.	No.
Directors						
R Carreon	14,434,460	-	(139,366)	(639,222)	13,655,872	11,991,060
Executives						
M Vigeland	3,124,416	-	(259,600)	(136,616)	2,728,200	2,169,304
S Tripathi	-	515,000	-	-	515,000	-
D Adams	811,000	-	-	-	811,000	286,500
C Kingsford	2,498,616	-	(559,600)	(106,616)	1,832,400	1,387,088
D Schlaht	2,324,616	-	(279,800)	(126,616)	1,918,200	1,447,471
Total	**23,193,108**	**515,000**	**(1,238,366)**	**(1,009,070)**	**21,460,672**	**17,281,423**

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

(B) PERFORMANCE RIGHTS

30 June 2019	Held at the Start of the Period	Granted During Period	Vested During Period	Perf Rights from Other Changes	Held at the End of the Period
	No.	No.	No.	No.	No.
Directors					
R Carreon	1,732,000	-	-	-	1,732,000
Executives					
M Vigeland	445,500		-	-	445,500
S Tripathi	-	310,000	-	-	310,000
D Adams	454,500		-	-	454,500
C Kingsford	354,000		-	-	354,000
D Schlaht	376,500		-	-	376,500
Total	**3,362,500**	**310,000**	**-**	**-**	**3,672,500**

10.4 Shareholdings of Key Management Personnel

(A) SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

30 June 2019	Held at the Start of Period	Granted as Remuneration	On exercise of Options & Vesting of Perf Rights	Net Change Other (i)	Held at the End of Period	Held Nominally
	No.	No.	No.	No.	No.	No.
Directors						
S Ward	225,000	-	-	25,000	250,000	250,000
J Downes	82,600	-	-		82,600	82,600
G Goetzke	14,100	-	-	242,000	256,100	256,100
R Graham	-	-	-	-	-	-
A Patel	-	-	-	88,000	88,000	88,000
D Williams	30,000	-	-	100,000	130,000	130,000
R Carreon	869,225	-	139,366	-	1,008,591	1,008,591
Executives						
M Vigeland	638,643	-	259,600	-	898,243	898,243
D Adams	159,000	-	-	-	159,000	159,000
S Tripathi		-	-	-	-	-
C Kingsford	624,641	-	559,600	-	1,184,241	1,184,241
D Schlaht	634,857	-	279,800	-	914,657	914,657
Total	**3,278,066**		**1,238,366**	**455,000**	**4,971,432**	**4,971,432**

(i) The shareholding movements during the period for Directors relate to shares purchased through the open market and not through compensation.

(B) SHARES ISSUED ON EXERCISE OF REMUNERATION OPTIONS

During the year ended 30 June 2019, 1,509,298 shares were issued on the exercise of remuneration options (2018: 1,387,619) and nil shares were issued on the vesting of performance rights (2018: 2,080,000), including the following issuances for KMP in place at the reporting date:

Exercise of Options	2019 Options Exercised	Exercise Price Weighted Average Exercise Price ($)	Share Price Weighted Average on Exercise Date ($)	Total Value on Exercise Dates ($)
Directors				
R Carreon (i)	139,366	$0.1100	$0.1150	$16,027
M Vigeland	259,600	$0.1370	$0.2300	$59,410
C Kingsford (i)	559,600	$0.1100	$0.1150	$64,354
D Schlaht	279,800	$0.1100	$0.2050	$57,359
	1,238,366			**$197,150**

(i) Includes options exercised in June 2019 where the share issuances were pending at the reporting date and were subsequently issued in July 2019.

10.5 Other Transactions and Balances with KMP and their Related Parties

For the year ended 30 June 2019, no transactions occurred with Directors or Executives that would be considered related party transactions.

SECTION 11

Executive Comparator Group List

The list of comparator groups of companies that have been used in respect of the financial years 2019 and 2018 remuneration are summarized below:

ImpediMed – Executive Remuneration

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

ImpediMed – Non-Executive Remuneration

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

Director's Meetings

The number of meetings of directors (including the meetings of committees of directors) held during the year and the number of meetings attended by each director are detailed in the table below:

	Board Meetings		Remuneration Committee		Audit & Risk Management Committee	
Directors (i)	**# Meetings Eligible to Attend**	**# Meetings Attended**	**# Meetings Eligible to Attend**	**# Meetings Attended**	**# Meetings Eligible to Attend**	**# Meetings Attended**
Total	**13**	**13**	**5**	**5**	**3**	**3**
S Ward	13	13	5	5	-	-
J Downes	13	13	-	-	3	3
R Graham	13	13	5	5	-	-
G Goetzke	13	11	5	5	-	-
A Patel	13	13	-	-	3	3
D Williams	13	11	5	5	3	3
R Carreon	13	13	-	-	-	-

(i) A Directors' attendance at a committee meeting is only included if the Director is a member of the committee. The Nomination Committee did not have any meetings during the year.

Committee Membership

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

(i) As an Executive Director, R Carreon does not sit on any Committees.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable and where noted ($000)) under the option available to the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Group is an entity to which the Class Order applies.

Auditor's Independence Declaration and Non-Audit Services

Auditor's Independence Declaration

The directors received the declaration on page 62 from the auditor of the Company and have resolved the auditor is independent.

Non-Audit Services

No non-audit services were provided.

Signed in according with a resolution of the Directors.



Scott R. Ward
Chairman



Judith Downes
Director

21 August 2019

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Building a better working world

Auditor's Independence Declaration to the Directors of ImpediMed Limited

As lead auditor for the audit of the financial report of ImpediMed Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

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

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

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

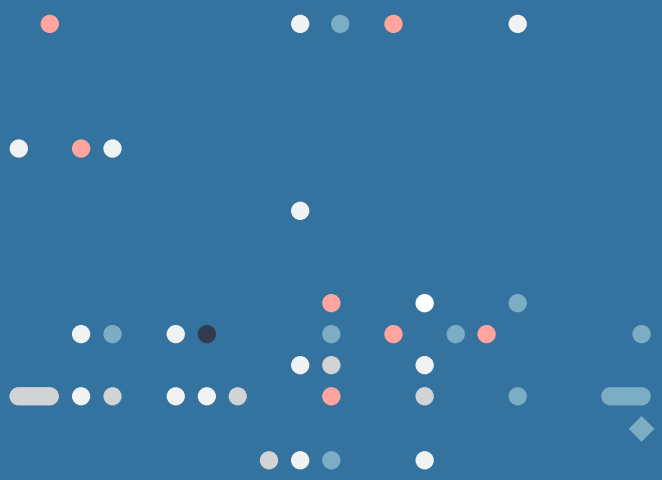
Ernst & Young

Jennifer Barker
Partner
21 August 2019

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Financial Statements

Chapter 4



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

	Notes	2019 $000	2018 $000 (restated)(i)
Continuing Operations			
SOZO Revenue	4	2,345	690
Legacy Revenue	4	1,753	2,562
Other Revenue	5	58	66
Total Revenue from Contracts with Customers		**4,156**	3,318
Cost of Goods Sold		(1,252)	(976)
Gross Profit		**2,904**	2,342
Finance Income	6	371	428
Other Income	6	2,644	3,078
Salaries and Benefits	7	(15,770)	(16,375)
Share-based Payments	7	(2,849)	(3,255)
Research and Clinical Trials	7	(2,958)	(2,964)
Administrative and Governance	7	(2,374)	(3,287)
Consultants and Professional Fees	7	(2,121)	(3,192)
Travel Expenses		(1,293)	(1,537)
Advertising and Promotion		(714)	(819)
Depreciation and Amortisation	7	(682)	(417)
Rent and Property Expenses		(422)	(694)
IT and Other Expenses		(681)	(514)
Loss from Continuing Operations Before Income Tax		**(23,945)**	(27,206)
Income Tax	19	(51)	(42)
Net Loss from Continuing Operations		**(23,996)**	(27,248)
Loss from Discontinued Operations	29	(127)	(124)
Net Loss		**(24,123)**	(27,372)
Other Comprehensive Income			
Items that may be reclassified as profit:			
Foreign Currency Translation Gain	16	1,274	871
Other Comprehensive Gain for the Period, Net of Tax		1,274	871
Total Comprehensive Loss		**(22,849)**	(26,501)
		$	$
Basic and Diluted Loss per Share	2	(0.06)	(0.07)

(i) Please refer to Note 30 for changes in the Group's accounting policies.

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 30 JUNE

	Notes	2019 $000	2018 $000 (restated)
Assets			
Current Assets			
Cash and Cash Equivalents	8	11,330	31,345
Trade and Other Receivables	9	3,488	4,100
Contract Assets	5	497	8
Inventories	10	1,121	1,811
Prepayments and Other	10	537	338
Total Current Assets		**16,973**	37,602
Non-Current Assets			
Other Financial Assets		45	95
Property and Equipment	11	188	368
Intangible Assets	12	5,375	3,504
Total Non-Current Assets		**5,608**	3,967
Total Assets		**22,581**	41,569
Liabilities			
Current Liabilities			
Trade and Other Payables	13	2,447	2,286
Contract Liabilities	5	520	230
Provisions	14	3,694	3,147
Total Current Liabilities		**6,661**	5,663
Non-Current Liabilities			
Provisions	14	135	102
Total Non-Current Liabilities		**135**	102
Total Liabilities		**6,796**	5,765
Net Assets		**15,785**	35,804
Equity			
Issued Capital	15	219,727	219,746
Reserves	16	24,775	20,652
Accumulated Losses		(228,717)	(204,594)
Total Equity		**15,785**	35,804

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

	Notes	2019 $000	2018 $000
Cash Flows from Operating Activities			
Receipts from Customers (Inclusive of GST and US Sales Tax)		4,459	4,597
Payments to Suppliers (Inclusive of GST and US Sales Tax)		(11,483)	(14,283)
Payments to Employees		(15,932)	(16,677)
Interest Received		397	425
Other Receipts		2,971	2,480
Net Cash Flows Used in Operating Activities	8	**(19,588)**	(23,458)
Cash Flow from Investing Activities			
Proceeds from the Disposal of Assets, Net of Disposal Costs		459	-
Purchase of Property and Equipment	11	(34)	(155)
Development Expenditures and Purchase of Intangibles	12	(2,190)	(1,060)
Net Cash Flows Used in Investing Activities		**(1,765)**	(1,215)
Cash Flows from Financing Activities			
Proceeds from Issue of Ordinary Shares		163	280
Transaction Costs from Capital Raising		(18)	(24)
Net Cash Flows from Financing Activities		**145**	256
Net Decrease in Cash and Cash Equivalents		(21,208)	(24,417)
Net Foreign Exchange Differences		1,193	878
Cash and Cash Equivalents at Beginning of Year		31,345	54,884
Cash and Cash Equivalents at End of Year	8	11,330	31,345

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE

	Notes	Issued Capital $000	Share Reserves $000	Foreign Currency Reserves $000	Reserves $000	Accumulated Losses $000 (restated)	Total $000
At 30 June 2017		219,493	12,767	3,759	16,526	(177,222)	58,797
Loss for the Period from Continuing Operations		-	-	-	-	(27,248)	(27,248)
Loss from the Period from Discontinued Operations		-	-	-	-	(124)	(124)
Other Comprehensive Gain from Continuing Operations		-	-	1,074	1,074	-	1,074
Other Comprehensive Loss from Discontinued Operations		-	-	(203)	(203)	-	(203)
Total Comprehensive Loss for the Period			12,767	4,630	17,397	(204,594)	32,296
Equity Transactions:							
Share-based Payments	18	-	3,255	-	3,255	-	3,255
Allotment of Ordinary Shares	15	272	-	-	-	-	272
Costs of Capital Raising	15	(19)	-	-	-	-	(19)
At 30 June 2018 (restated)		**219,746**	**16,022**	**4,630**	**20,652**	**(204,594)**	**35,804**
Loss for the Period from Continuing Operations		-	-	-	-	(23,996)	(23,996)
Loss from the Period from Discontinued Operations		-	-	-	-	(127)	(127)
Other Comprehensive Gain from Continuing Operations		-	-	1,554	1,554	-	1,554
Other Comprehensive Loss from Discontinued Operations		-	-	(280)	(280)	-	(280)
Total Comprehensive Loss for the Period			16,022	5,904	21,926	(228,717)	12,955
Equity Transactions:							
Share-based Payments	18	-	2,849	-	2,849	-	2,849
Allotment of Ordinary Shares	15	96	-	-	-	-	96
Costs of Capital Raising	15	(115)	-	-	-	-	(115)
At 30 June 2019		**219,727**	**18,871**	**5,904**	**24,775**	**(228,717)**	**15,785**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

CONTENTS

1. Basis of Preparation Page 69
2. Earnings per Share Page 70
3. Dividends Paid and Proposed Page 70
4. Segment Reporting Page 70
5. Revenue Page 72
6. Finance and Other Income Page 73
7. Expenses Page 74
8. Cash and Cash Equivalents Page 75
9. Trade and Other Receivables Page 75
10. Current Assets – Inventories and Prepayments Page 77
11. Non-current Assets – Property and Equipment Page 78
12. Non-current Assets – Intangible Assets and Goodwill Page 79
13. Current Liabilities – Trade and Other Payables Page 82
14. Provisions Page 83
15. Contributed Equity Page 84
16. Reserves Page 85
17. Key Management Personnel (KMP) Page 86
18. Share-based Payments Plans Page 86
19. Income Tax Page 93
20. Parent Entity Information Page 95
21. Related Party Disclosure Page 96
22. Auditor's Remuneration Page 96
23. Commitments Page 96
24. Contingencies Page 98
25. Events After the Balance Sheet Date Page 98
26. Financial Risk Management Objectives and Policies Page 99
27. Financial Instruments Page 102
28. Significant Accounting Policies Page 102
29. Discontinued Operations Page 104
30. Changes to the Group's Accounting Policies Page 104

1. Basis of Preparation

Corporate Information

The financial report of the Group for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 21 August 2019.

ImpediMed Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian.

Accounting Standards Board. The financial report has also been prepared on a historical cost basis. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

Reclassification

Certain prior period amounts have been reclassified for financial statement presentation purposes. These reclassifications have no impact to previously reported net loss and other comprehensive income.

Going Concern

These financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group had cash at its disposal of $11.3 million at 30 June 2019 (30 June 2018: $31.3 million) and had no borrowing from banks or other financial institutions at that date.

Whilst the Group continues to generate operating losses and net cash outflows from operations, the Board approved operating plan and cash flow projections, inclusive of approximately $13.0 million cash received in July 2019 in relation to the fully underwritten rights offer (refer to Note 25), demonstrate that the Group will be able to pay its debts as and when they fall due for a period in excess of 12-months from the date the financial report has been signed. The Board approved operating plan includes assumptions around the continued growth in sales, and in the event that the Group does not achieve the sales forecasts, the Group has the ability to reduce discretionary operating expenditure to enable the Group to continue to be able to pay its debts as and when they fall due for a period in excess of 12-months from the date the financial report has been signed. On that basis, the going concern basis of accounting has been used. No adjustment has been made to the amounts and classifications of recorded asset and liabilities should the Group be unable to continue as a going concern.

Compliance with IFRS

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

New Accounting Standards and Interpretations

Accounting Standards and Interpretations Issued but not yet Effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2019.

These standards and interpretations are outlines in the table below:

Reference	Title	Application Date of Standard	Applications Date for Group
AASB 16	Leases	1 January 2019	1 July 2019
IFRIC 23	Uncertainty Over Income Tax Treatments	1 January 2019	1 July 2019

2. Earnings per Share (EPS)

The following reflects the net loss attributable to ordinary equity holders and the weighted average number of ordinary shares used in the calculations of basic earnings per share:

	2019 $000	2018 $000
Net Loss Used in Calculating Basic and Diluted Earnings		
Continuing Operations	(23,996)	(27,248)
Discontinued Operations	(127)	(124)
Net Loss Attributable to Ordinary Equity Holders of the Parent for Basic and Diluted Earnings per Share	**(24,123)**	(27,372)
	No.	No.
Weighted Average Number of Ordinary Shares Used in Calculating Basic and Diluted Earnings per Share	**379,229,784**	377,041,819
	$	$
Basic and Diluted Loss per Share	**(0.06)**	(0.07)
Basic and Diluted Loss per Share from Continuing Operations	**(0.06)**	(0.07)

Diluted EPS is calculated by taking the net loss attributable to ordinary equity holders and dividing it by the sum of the weighted average number of ordinary shares and the weighted average number of convertible instruments. For the financial year ended 30 June 2019, diluted EPS is equal to basic EPS as the Group is currently in a loss position and any conversion of instruments to ordinary shares would have an antidilutive effect on earnings per share.

As of the end of financial year 2019 there were 29,045,901 (2018: 32,226,038) options and 4,916,500 (2018: 4,431,500) performance rights on issue.

Subsequent to the end of the financial year, the Group issued 126,602,928 ordinary shares in relation to a fully underwritten Entitlement Offer. Please refer to note 25.

Basic earnings per share is calculated as net profit attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share, which is currently not applicable to the Group due to the net loss, would be calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3. Dividends Paid and Proposed

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

4. Segment Reporting

(A) Operating Segments

Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (whom is the Chief Operating Decision Maker) in assessing performance and in determining the allocation of resources.

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

During the year, the Chief Executive Officer reviewed the business revenue information categorised by the Group's SOZO and Legacy product lines which make up the Medical segment, consistent with the previous annual report. The group is no longer including the Test and Measurement segment (refer to Note 29 Discontinued Operations). As a result of the discontinued operations in the current period, all items from Net Loss are now allocated to the Medical segment.

The primary focus during the 2019 financial year for the Medical Segment was the continued commercialisation of SOZO and of the subscription revenue model, focused on building a high margin contracted revenue pipeline for strong recurring revenue growth in FY2020 and beyond.

Accounting Policies and Inter-Segment Transactions

Accounting Policies

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

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

Operating segments have been identified based on the information provided to the chief operating decision maker being the Chief Executive Officer. The group aggregates two or more operating segments when they have similar economic characteristics and the segments are similar in each of the following respects:

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

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

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

Segment results, assets and liabilities include items directly attributable to a segment and certain allocated corporate charges. Corporate charges comprise non-segmental expenses such as general overhead, group insurance and office expenses. Corporate charges are allocated to each business segment on a proportionate basis linked to segment headcount and the allocation of employee time between each segment in order to determine a segmental result.

Inter-Company Transactions

Inter-Company Transactions are eliminated for the purposes of segment reporting.

Major Customers

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

Segment Revenues and Segment Results

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

Year Ended 30 June 2019	**Medical**		
	SOZO® $000	Legacy $000	Total $000
Revenue			
Revenue from Subscriptions and Consumables	1,626	1,485	3,111
Revenue from Devices	719	268	987
Other Revenue	-	-	58
Total Revenue by Segment	**2,345**	**1,753**	**4,156**

Year Ended 30 June 2018	Medical		
	SOZO® $000	Legacy $000	Total $000 (restated)
Revenue			
Revenue from Subscriptions and Consumables	139	1,967	2,106
Revenue from Devices	551	595	1,146
Other Revenue	-	-	66
Total Revenue by Segment	**690**	**2,562**	**3,318**

(B) Geographical Segments

The following tables present revenue and profit/(loss) information and certain asset and liability information regarding geographical segments for the years ended 30 June 2019 and 2018. Revenue data is based on the location of the customer for geographical reporting purposes.

Australia / Rest of World (ROW)

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

North America

The Group's North American office in Carlsbad, California serves as the operational hub for the Medical segment and the domicile of its main assets and executive personnel. This office sells and ships Medical segment products to customers located in the US.

Geographical Segment Revenue

Year Ended 30 June 2019	Australia/ROW $000	North America $000	Total $000
Device Revenue	333	654	987
Consumable Revenue	303	2,808	3,111
Other Revenue	20	38	58
Total Segment Revenue	**656**	**3,500**	**4,156**

Year Ended 30 June 2018	Australia/ROW $000	North America $000	Total $000 (restated)
Device Revenue	746	400	1,146
Consumable Revenue	267	1,839	2,106
Other Revenue	40	26	66
Total Segment Revenue	**1,053**	**2,265**	**3,318**

Sales of Goods – Device and Consumable Revenue

All segment assets relating to the Group's operating segments as at 30 June 2019 are Medical.

5. Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Refer to Note 30 for details on the adoption of AASB 15 and the accounting policy within the financial statements relating to revenue from contracts with customers, contract assets and contract liabilities.

	2019 $000	2018 $000 (restated)
Sales of Goods and Subscription Services		
Revenue from Subscriptions and Consumables	**3,111**	2,106
Revenue from Devices	**987**	1,146
Other Revenues	**58**	66
Total Revenue from Contracts with Customers	**4,156**	3,318

	2019 $000	2018 $000 (restated)
Contract Balances		
Trade Receivables (Note 9)	**800**	1,453
Contract Assets	**497**	8
Contract Liabilities	**(520)**	(230)

Set out below is the amount of revenue recognised from:

	2019 $000	2018 $000
Amounts Included in Contract Liabilities at the Beginning of the Year	**230**	-
Performance Obligations Satisfied in Previous Years	**8**	-

6. Finance and Other Income

	2019 $000	2018 $000
Finance Income		
Interest Income – Bank Deposits	**369**	425
Interest Income – Term Deposits	**2**	3
Finance Income	**371**	428
R&D Tax Incentive	**2,620**	2,848
Proceeds from Tax Refunds, Grants, and Other	**24**	230
Other Income	**2,644**	3,078

Interest Revenue

Revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Tax Incentive Revenue and Grant Revenue

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

The Group accrues for amounts when there is reasonable assurance of receipt. Whilst there is a judgment involved in when there is reasonable assurance, the Group now has a past history of successful lodgings and receipt with the ATO. The Group recognises income related to the R&D tax incentive in the period in which the expenses are recognised.

7. Expenses

Salaries and Benefits	2019 $000	2018 $000 (restated)
Wages and Salaries (i)	**11,337**	11,043
Performance & Sales Bonus	**3,933**	3,288
Employee Benefits	**932**	969
Superannuation	**457**	465
Annual Leave & Long Service Leave	**118**	246
Other Employee Costs	**994**	1,082
Capitalised Employee Costs (i)	**(2,001)**	(718)
Sub-Total Salaries and Benefits	**15,770**	16,375
Share-Based Payments to Employees	**2,849**	3,255
Total Salaries and Benefits	**18,619**	19,630

(i) Certain wages and salaries relating to SOZO software development have been recognised as Intangible Assets in accordance with AASB 138 *Intangible Assets* in both the current and prior corresponding periods. In addition, certain wages and salaries directly related to SOZO customer installations and trainings are allocated to cost of revenue for the current period.

Research and Clinical Trials	2019 $000	2018 $000
Cardiology and Other Clinical Trials (i)	**1,557**	853
Oncology Clinical Trials (ii)	**1,079**	1,238
Product Engineering (iii)	**322**	873
Total Research and Clinical Trials	**2,958**	2,964

(i) The Group continues enrolment in the 200-patient-at-home heart failure trial. The study is designed to demonstrate the extent to which changes in SOZO BIS measurements preempt patient-reported symptoms of acute HF that leads to hospital readmissions. Earlier identification of fluid overload allows for treatment changes which have resulted in significant reduction of cost re-hospitalisation. The Group expects that expenditure on the HF study will continue as enrolment in the trial increase.

(ii) With enrolment completed in the 1,1000 patient PREVENT Trial, the largest international multicenter randomized controlled trial undertaken in the prevention of breast cancer-related lymphoedema, costs related to oncology clinical trials decreased in the current financial period. The Group expects that expenditure on the PREVENT Trial will continue as follow up screening continued for existing patients within the trial.

(iii) During the financial period, as result of the initial launch of SOZO, the Group reduced third-party product engineering costs related to SOZO.

Administrative and Governance Fees	2019 $000	2018 $000
Governance and Regulatory Fees	**768**	804
Insurance	**672**	485
Director Fees	**666**	628
Administrative Expenses (i)	**262**	1,387
Foreign Currency Loss / (Gain) on Transactions	**6**	(17)
Total Administrative and Governance Fees	**2,374**	3,287

(i) In the previous corresponding period, the Group raised provisions totaling $394,000 related to doubtful debts on certain aged receivables, compared to $52,000 in the current reporting period.

Consulting and Professional Fees	2019 $000	2018 $000
Consulting Fees (i)	**1,108**	2,018
Patent and Trademark Fees	**633**	568
Professional Fees	**380**	606
Total Consulting and Professional Fees	**2,121**	3,192

(i) The decrease in consulting fees for the current financial period was primarily attributable to reduced sales and marketing consulting expenses for regions outside of the United States, in addition to overall financial discipline across all departments.

Depreciation and Amortisation Included in Statement of Comprehensive Income	2019 $000	2018 $000
Amortisation of Intangible Assets	**460**	98
Depreciation of Property, Plant, and Equipment	**222**	319
Total Depreciation and Amortisation	**682**	417

8. Cash and Cash Equivalents

	2019 $000	2018 $000
Cash at Bank and in Hand	**3,165**	3,046
Short Term Deposits	**8,165**	28,299
Cash and Cash Equivalents	**11,330**	31,345

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

	2019 $000	2018 $000 (restated)
Net Loss After Tax	**(24,123)**	(27,372)
Adjustments For:		
Depreciation and Amortisation Expense	**682**	444
Share-based Payment Expense	**2,849**	3,255
Amounts Set Aside for Provisions (Accounts Receivable)	**15**	390
Amounts Set Aside for Provisions (Inventory)	**-**	418
Unreleased Foreign Currency (Gain) / Loss	**1**	(22)
Changes in Net Assets and Liabilities:		
Decrease / (Increase) in Assets:		
Inventories	**690**	(764)
Property, Plant & Equipment and Intangible Assets	**(27)**	(70)
Receivables	**609**	(693)
Other Current and Non-current Assets	**(688)**	737
(Decrease) / Increase in Liabilities		
Current Payables	**451**	(62)
Other Current and Non-current Liabilities	**547**	281
Net assets associated with discontinued operations	**(594)**	-
Net Cash Used in Operating Activities	**(19,588)**	(23,458)

9. Trade and Other Receivables

	2019 $000	2018 $000 (restated)
Trade Receivables	**800**	1,453
Allowance for Expected Credit losses (i)	**(52)**	(396)
Interest Receivable	**18**	41
Tax and Other Receivables	**2,722**	3,002
Total Trade and Other Receivables	**3,488**	4,100

(i) During the financial year, the Group wrote off $339,000 of outstanding aged receivables that have been provided for in the previous period.

Impairment on Current Assets

The adoption of AASB 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing AASB 139 incurred loss approach with a forward-looking expected credit loss (ECL) approach.

AASB 9 requires the Group to recognise an allowance for ECLs for all trade receivables and contract assets through profit or loss. Upon adoption of AASB 9, there were no adjustments required to the Group's provision accounts.

Trade receivables are non-interest bearing and are generally include 30-90 day terms, based upon each customer's credit rating.

Movements in the provision for impairment loss were as follows:

	2019 $000	2018 $000
At July 1	**396**	6
Charge for the Year	**86**	394
Amounts Reversed	**(91)**	-
Amounts Written Off	**(339)**	(6)
Foreign Exchange Translation	**-**	2
At June 30	**52**	396

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

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

	Total	Neither Past Due nor Impaired	Past Due but Not Impaired		
			<30 Days	30-60 Days	>61 days
2019	**748**	**516**	**70**	**44**	**118**
2018	1,057	594	264	58	141

Fair Value and Credit Risk

Due to the short-term nature of these receivables, the carrying value is assumed to approximate its fair value. The maximum exposure to credit risk is the fair value of the receivables.

Trade receivables, which generally have 30-90 day terms, are recognised at fair value less an expected credit loss for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are generally considered objective evidence of impairment.

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

When financial assets are recognised initially, they are measured at fair value plus, in the case of as-sets not at fair value through profit or loss, directly attributable transaction costs.

10. Current Assets – Inventories and Prepayments

	2019 $000	2018 $000
Raw Materials (at cost) (i)	**341**	605
Sub-assemblies (at cost) (i)	**-**	354
Finished Goods (at cost) (i)	**1,712**	2,197
Provision for Obsolete Inventory (i)	**(932)**	(1,345)
Total Inventories at the Lower of Cost and Net Realisable Value	**1,121**	1,811

(i) Approximately $0.5M of the decrease in inventory relates to the discontinued operations of XiTRON Technologies, Inc. during the current year. In addition, the Group delayed additional builds of SOZO inventory in the second half of the year in order to complete testing of alternative raw materials to be used in production. These builds will be completed in fiscal year 2020.

Inventories

Inventories are valued at the lower of cost and net realisable value. Inventory write-downs recognised as an expense in cost of sales totaled $600 (2018: $12,000) for the Group.

Costs incurred in bringing each product to its present location and condition is accounted for as purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), if applicable. Volume discounts and rebates are included in determining the cost of purchase.

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

Prepayments

	2019 $000	2018 $000
General Payments (i)	**510**	268
Insurance Payments	**27**	70
Total Prepayments	**537**	338

(i) In the 2019 financial year, the Group made prepayments related to SOZO inventory builds. These builds are to be completed in fiscal year 2020.

11. Non-Current Assets – Property and Equipment

Year Ended 30 June 2019	Leased, Demo & Loan Devices $000	Leasehold Improvements $000	Property & Machinery $000	Computer Equipment $000	Total $000
At 1 July 2018 Net of Accumulated Depreciation	102	4	154	108	368
Additions	-	11	17	4	32
Disposals	(18)	-	-	-	(18)
Transfers from Inventory	30	-	-	-	30
Depreciation Charge for the Year (i)	(47)	(4)	(103)	(78)	(232)
Effect of Foreign Exchange	(1)	-	4	5	8
At 30 June 2019 Net of Accumulated Depreciation	**66**	**11**	**72**	**39**	**188**
At 30 June 2019					
Cost	873	162	697	612	2,344
Accumulated Depreciation	(807)	(151)	(625)	(573)	(2,156)
Net Carrying Amount	**66**	**11**	**72**	**39**	**188**

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

(i) Depreciation change for the year includes $10,000 and $16,000 of depreciation expense included in cost of goods sold for the years ending 30 June 2019 and 2018, respectively.

Equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

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

Plant, Machinery and Equipment	1 – 10 years
Devices Under Lease, PSA or Loan	3 years
Leasehold Improvements	2 – 5 years

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

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

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

Derecognition

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

12. Non-Current Assets – Intangible Assets and Goodwill

Year Ended 30 June 2019	Development Costs (i) $000	Other Software (i) $000	Patents & Licenses $000	Goodwill $000	Total $000
At 1 July 2018 Net of Accumulated Amortisation & Impairment	964	74	17	2,449	3,504
Arising During the Year	2,190	3	-	-	2,193
Amortisation	(407)	(51)	(2)	-	(460)
Effect of Foreign Exchange	-	2	1	135	138
At 30 June 2019 Net of Accumulated Amortisation & Impairment	**2,747**	**28**	**16**	**2,584**	**5,375**
At 30 June 2019					
Cost (Gross Carrying Amount)	3,174	481	36	2,584	6,275
Accumulated Amortisation & Impairment	(427)	(453)	(20)	-	(900)
Net Carrying Amount	**2,747**	**28**	**16**	**2,584**	**5,375**

Year Ended 30 June 2018	Development Costs (i) $000	Other Software (i) $000	Patents & Licenses $000	Goodwill $000	Total $000
At 1 July 2017 Net of Accumulated Amortisation & Impairment	-	36	18	2,358	2,412
Arising During the Year	984	115	-	-	1,099
Amortisation	(20)	(76)	(2)	-	(98)
Effect of Foreign Exchange	-	(1)	1	91	91
At 30 June 2018 Net of Accumulated Amortisation & Impairment	964	74	17	2,449	3,504
At 30 June 2018					
Cost (Gross Carrying Amount)	984	461	34	2,449	3,928
Accumulated Amortisation & Impairment	(20)	(387)	(17)	-	(424)
Net Carrying Amount	964	74	17	2,449	3,504

(i) Development costs relate to internally generated SOZO software development. Other software relates to externally purchased software used in operations of the Group.

Description of the Group's Intangible Assets and Goodwill

Accounting Policies for Intangible Assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with

useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level consistent with the methodology outlined for goodwill below. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

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

	Software & Patents and Licenses	Development Costs
Useful Lives	Finite	Finite
Method Used	Amortised over the period of expected future benefit from the related project on a straight-line basis	Amortised over the period of expected future benefit from the related project on a straight-line basis
Internally Generated / Acquired	Acquired	Internally generated
Impairment Test / Recoverable Amount Test	When an indication of impairment exists	When an indication of impairment exists

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

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

Software

The Group's software intangible primarily includes the Group's investment in its Quality Management System (QMS), Enterprise Resource Planning (ERP) system and Customer Relationship Management (CRM) system.

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

Development Costs

The Group capitalises certain costs related to the development of medical technology software in accordance with AASB 138 Intangible Assets.

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate:

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

Following initial recognition, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected benefit from the related project.

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

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Patents and Licenses

The Group holds three licenses and numerous patents. All patents and licenses are carried at cost less accumulated amortisation and impairment losses.

These intangible assets have been determined to have a finite life and are amortised using the straight-line method over a useful life of between five and twenty years. The amortisation has been recognised in the statement of comprehensive income in the line item "depreciation and amortisation". Patents and licenses are subject to impairment testing whenever there is an indication of impairment.

No impairment loss has been recognised for the years ended 30 June 2019 or 2018.

Goodwill

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

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

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

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

The Group performs its impairment testing as at 30 June each year and more frequently if indicators of impairment exist, using the value in use (VIU), discounted cash flow methodology.

When the recoverable amount of the cash-generating unit or group of cash generating units is less than the carrying amount, an impairment loss is recognised.

Impairment losses recognised for goodwill are not subsequently reversed. When goodwill forms part of a cash generating unit or group of cash generating units and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment Tests for Goodwill and Intangible Assets with Indefinite Useful Lives

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

At 30 June 2019, the Group has only one CGU, which is the Medical CGU. During the current period, the key focus of the Medical CGU was the sale of devices for the subclinical assessment of lymphoedema in cancer survivors, though it also includes the sale of devices used in body composition, and other areas of fluid status measurement. The Medical CGU is the core business of the Group and the part of the business forecasting substantial growth. There was no impairment in financial years 2019 and 2018.

Relationship of the Intangible Assets with the CGUs

The only intangible asset in the Group with an indefinite useful life is goodwill. The goodwill has been allocated to the Medical CGU.

Details of Impairment Testing

Impairment testing has been performed by reviewing the carrying amounts of net assets and by calculating the value in use of the CGU.

The market capitalisation of the Group at 30 June 2019 was approximately $43 million, which exceeded the net assets recorded (including goodwill) by approximately $27 million.

The VIU cash flow model is based on a five-year period which analyses the net present value (NPV) of cash flows using a 12.5% discount rate and a 3% long-term growth rate. The short-term cash flows used in the cash flow model are based on budgets and forecasts approved by the Board and consider the size of markets available to the Group. In order to calculate the discount rate for use in the VIU cash flow model, the Group used a weighted average cost of capital (WACC) method. The Group currently has no debt and has created equity by relying upon capital raises for its operating funds. Due to the risk in future cash flows, Management has assessed the breakeven discount rate to be 16.2% at 30 June 2019.

13. Current Liabilities – Trade and Other Payables

	2019 $000	2018 (Restated) $000
Trade Payables and Accruals	**2,086**	1,805
Employee Related Payables	**307**	317
Sales Tax and Other Payables	**54**	164
Carrying Amount of Trade and Other Payables	**2,447**	2,286

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

Trade payables and other payables are carried at amortised cost and, due to their short-term nature, are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect to the purchase of these goods and services.

Fair Value

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

Interest Rate, Foreign Exchange and Liquidity Risk

Information regarding interest rate, foreign ex-change and liquidity risk exposure is set out in note 26.

14. Provisions

	2019 $000	2018 $000
Current		
Employee Entitlements (i)	**3,666**	3,114
Warranty Provision	**28**	29
Office Lease – Make Good Provisions	**-**	4
Total Current Provisions	**3,694**	3,147
Non-Current		
Employee Entitlements	**26**	11
Deferred Rent Liability	**83**	57
Office Lease – Make Good Provisions	**26**	34
Total Non-current Provisions	**135**	102

(i) The provision for current employee benefits primarily relates to the estimate for employee short-term incentives related to that financial year, as well as a provision for accrued employee annual leave. The short-term incentive plan is a cash-based incentive which is awarded based on annual performance. For the financial year ended 30 June 2019, the incentive plan focused on both Group and individual performance.

Significant Movements in Provisions

During the year, the Group utilised approximately $2.1 million (2018: $2.2 million) in short-term incentives related to the prior year accrual. This movement was offset by the 2019 financial year accrual of $2.7 million (2018: $2.1 million), net of foreign exchange differences.

Nature and Timing of Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee Entitlements

Employee entitlements comprise accrued entitlements for annual leave, performance pay and superannuation contributions (all current) and for long service leave (non-current).

Employee entitlements expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Retirement Benefit Obligation

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

Long Service Leave

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

Warranty Provision

A provision for warranty is recognised for expected warranty claims on products sold during the last year, based on experience of the level of repairs and returns on a one-year warranty period that is generally given for products sold. It is expected that these costs will be incurred during the next financial year.

Deferred Rent

A provision for deferred rent is recognised for fixed increases in office leases and for rent-free periods for the term of the leases at the Group's four office locations.

Make Good Provision

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

15. Contributed Equity

Ordinary Shares

	2019 $000	2018 $000
Ordinary Shares Fully Paid	**219,727**	219,746
Total Ordinary Shares	**219,727**	219,746

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary shares fully paid include transaction costs of $115,000 (2018: $19,000) pertaining to the cost of capital from the exercise of options during the current reporting period. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Number of Shares	$000
At 1 July 2017	375,526,036	219,493
Issued During the Period as a Result of:		
Issue of Ordinary Shares	3,467,619	272
Transactions Costs	-	(19)
At 30 June 2018	378,993,655	219,746
Issued During the Period as a Result of:		
Issue of Ordinary Shares	810,332	96
Transactions Costs (i)	-	(115)
At 30 June 2019	**379,803,987**	**219,727**

(i) Transaction costs for the 2019 financial year include $105,000 related to the July 2019 Entitlement Offer.

Capital Management

	2019 $000	2018 $000 (restated)
Trade and Other Payables	**2,447**	2,286
Less Cash and Cash Equivalents	**(11,330)**	(31,345)
Net Debt	**(8,883)**	(29,059)
Total Equity	**15,785**	35,804
Total Capital	**6,902**	6,745
Net Debt to Equity Ratio	**N/A**	N/A

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

16. Reserves

Movements in Other Reserves

	Performance Share Reserve $000	Share Options Reserve $000	Foreign Currency Translation $000	Total $000
At 1 July 2017	1,847	10,920	3,759	16,526
Foreign Currency Translation	-	-	871	871
Share-based Payment	1,113	2,142	-	3,255
At 30 June 2018	**2,960**	**13,062**	**4,630**	**20,652**
Foreign Currency Translation	-	-	1,274	1,274
Share-based Payment	1,110	1,739	-	2,849
At 30 June 2019	**4,070**	**14,801**	**5,904**	**24,775**

The Group currently maintains two long-term incentive plans for share-based payments. All options issued under the long-term incentive plans must be issued with an exercise price no less than fair market value. The actual exercise price will be determined by a committee of Directors, which is generally determined to be the Parent's volume weighted average stock price over the five days prior to the option grant. No options or performance rights provide dividend or voting rights to the holders.

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

At 30 June 2019, there were 32,962,401 (30 June 2018: 36,657,538) unissued ordinary shares in respect of 29,045,901 (30 June 2018: 32,226,038) unlisted options, 4,916,500 (30 June 2018: 4,431,500) performance shares and nil (30 June 2018: nil) listed options.

Nature and Purpose of Reserves

Share Option Reserve and Performance Share Reserve

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

Foreign Currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

17. Key Management Personnel (KMP)

	2019 $000	2018 $000
Employee Benefits (i)	**5,168**	3,950
Post-employment Benefits	**147**	123
Share-based Payments	**2,269**	2,574
Total Compensation (ii)	**7,584**	6,647

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

(ii) The majority of KMPs are based in the US and are paid in USD. The total compensation is therefore translated for financial reporting purposes to AUD monthly.

Interests Held by Key Management Personnel

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

Grant Type	Expiry Date	Exercise Price	2019
Performance Rights	14-Nov-19	$0.00	635,000
Share Options	31-Dec-19	$0.18	100,000
Share Options	30-Jun-20	$0.1100 – $0.2100	1,573,039
Performance Rights	25-Oct-20	$0.00	331,500
Performance Rights	15-Nov-20	$0.00	2,396,000
Share Options	31-Dec-20	$0.18	100,000
Share Options	30-Jun-21	$0.21	874,072
Share Options	4-Dec-21	$0.69	4,526,000
Share Options	1-Jul-22	$0.8700 – $1.0000	1,075,000
Share Options	8-Jul-22	$0.35	7,252,561
Share Options	25-Oct-23	$1.66	821,000
Share Options	13-Nov-23	$1.46	335,000
Share Options	14-Nov-23	$1.46	872,000
Share Options	15-Nov-24	$0.82	3,417,000
Share Options	31-Jul-25	$0.52	515,000
Performance Rights	31-Jul-21	$0.00	310,000
Total Interest Held by KMP			**25,133,172**

18. Share-Based Payment Plans

Recognised Share-Based Payment Expenses

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

	2019 $000	2018 $000
Expense Arising from Equity-Settled Share-Based Payment Transactions – Employees	1,733	2,130
Expense Arising from Equity-Settled Share-Based Payment Transactions – Consultants	6	12
Expense Arising from Equity-Settled Performance Rights Payment Transactions – Employees	1,110	1,113
Total Expense Arising from Share-Based Payment Transactions	**2,849**	3,255

Equity-Settled Transactions

The Group provides benefits to employees (including key management personnel (KMP)) and certain consultants in the form of share-based payments, whereby employees and consultants render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently three types of plans in place to provide these benefits:

- The Employee Incentive Plan (EIP), which provides benefits in the form of shares, options or performance shares to employees and consultants, including the CEO. This plan has a US Sub-Plan established as an appendix to EIP.

- The Employee Share Option Plans (ESOP), which provides benefits to employees and consultants, including the CEO if he or she is not a member of the Board of Directors. This Group has two (2) ESOPs – one for US based employees and one for Australian based employees.
- The CEO Option Plan

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

Stakeholders and industry participants expect that the Group's remuneration framework should provide competitive and appropriate remuneration so that the company can attract and retain skilled employees and motivate them to improve Group performance. For all financial year 2019, the Group operated under the Employee Incentive Plan for issuing and maintaining employee share option schemes.

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

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

(A) TYPES OF SHARE-BASED PAYMENTS PLANS

Employee Incentive Plan (EIP)

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

Purpose of the EIP and the US Sub-Plan

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

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

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

EIP Plan Terms and Conditions

Incentives under the EIP include a Share, an Option, or a Performance Right. Incentives are granted to eligible employees of and collaborators with (collectively known as Participants) the Group at the discretion of the Board of Directors.

In granting the incentives, which are issued for nil consideration, the Directors evaluate potential participants with respect to their abilities, experience, responsibilities and their contribution to the Group.

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

- Its expiry date
- The Participant failing to meet the Incentive's vesting conditions with the prescribed period;
- If the Participant ceases to be employed by the Group due to resignation or retirement:
  - For vested options, 30 days after the date of cessation of employment (or such longer period as the Board determines);
  - For unvested Incentives, the date of cessation of employment (or such longer period as the Board determines);
- If the Participant ceases to be employed by the Group due to retrenchment, or the Participant's death, permanent illness or permanent physical or mental incapacity (as certified by a medical practitioner who is approved in writing by the Board):
  - For vested options, 12 months after the date of cessation of employment (or such longer period as the Board determines); and
  - For unvested Incentives, the date of cessation of employment (or such longer period as the Board determines)
- If the Participant ceases to be employed by the Group for any other reason:
  - For vested incentives, 30 days after the date of cessation of employment (or such longer period as the Board determines); and
  - For unvested incentives, the date of cessation of employment (or such longer period as the Board determines)
- A determination by the Board that the participant:
  - Has been dismissed or removed from office as an employee or Director of the Group for any reason which entitles the Group to dismiss the Participant without notice, or
  - Acted fraudulently, dishonestly or in breach of the participant's obligations to the Group.

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

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

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

US Sub-Plan

The US Sub-Plan is effective for a period of ten years from the date of its adoption by the Board, unless terminated earlier by the Board.
The maximum number of Shares which may be issued under the US Sub-Plan is 15 million Shares.

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

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

Share Options

Share options are issued to eligible participants under the EIP. The Group issued 1,547,000 (2018: 7,410,200) share options to participants under the EIP during the current year.

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

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

Performance Shares

Performance shares (or Performance Rights) are issued to eligible participants under the EIP in recognition of their contribution to the performance of the Group and are often subject to meeting individual performance hurdles. The Group issued 485,000 (2018: 3,383,000) performance rights to employees under the EIP during the current year.

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

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

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

The fair value of performance shares is measured by using the stock price for ImpediMed Limited as of the close of business on the day prior to the grant date multiplied by the number of eligible shares. The number of eligible shares is measured using a combination of the probability of future service and the achievement of specific goals.

Employee Share Option Plan (ESOP)

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

ESOP Schemes Terms and Conditions

Share options were granted to participants of the Group at the discretion of the Board of Directors.

When a participant ceases to be eligible to continue participating in the plan prior to vesting their share options, the unvested share options are forfeited. The participant has 30 days to exercise vested options after cession of employment.

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

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

Chief Executive Option Plan

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

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

(B) SUMMARY OF OPTIONS AND PERFORMANCE RIGHTS

Employee Incentive Plan (EIP)

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

SHARE OPTIONS

	2019		2018	
	Number	**WAEP $**	**Number**	**WAEP $**
Balance at the Beginning of the Year	18,216,070	0.89	13,746,000	0.97
Granted During the Year	1,547,000	0.31	7,410,200	0.80
Forfeited During the Year	(1,582,299)	0.74	(2,670,130)	1.02
Balance at the End of the Year	**18,180,771**	**0.86**	18,216,070	0.89
Exercisable at 30 June	**10,237,487**	**0.86**	7,324,236	0.81

PERFORMANCE RIGHTS

	2019		2018	
	Number	**WAEP $**	**Number**	**WAEP $**
Balance at the Beginning of the Year	4,431,500	-	3,638,000	-
Granted During the Year	485,000	-	3,383,000	-
Forfeited During the Year	-	-	(509,500)	-
Exercised During the Year	-	-	(2,080,000)	-
Balance at the End of the Year	**4,916,500**	**-**	4,431,500	-
Exercisable at 30 June	**-**	**-**	-	-

Employee Share Option Plan (ESOP)

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

	2019		2018	
	Number	**WAEP $**	**Number**	**WAEP $**
Balance at the Beginning of the Year	14,009,968	0.28	15,547,827	0.27
Forfeited During the Year	(158,550)	0.32	(48,875)	0.14
Exercised During the Year	(1,560,364)	0.11	(1,387,619)	0.19
Expired During the Year	(1,425,924)	0.25	(101,365)	0.39
Balance at the End of the Year	**10,865,130**	**0.30**	14,009,968	0.28
Exercisable at 30 June	**10,865,130**	**0.30**	14,009,968	0.28

SHARE OPTIONS

Number of Options	Exercise Price ($)	Expiry Date
106,500	$0.73 - $0.815	14-Jul-19
169,771	$0.69 - $0.87	15-Aug-19
5,345,000	$0.69	4-Dec-21
1,446,500	$0.87	1-Jul-22
300,000	$1.03 - $1.05	8-Dec-22
375,000	$0.89	18-May-23
200,000	$1.32	1-Aug-23
821,000	$1.66	25-Oct-23
590,500	$1.47	4-Nov-23
335,000	$1.46	13-Nov-23
872,000	$1.46	14-Nov-23
120,000	$0.74	28-Apr-24
262,500	$0.64	13-Sep-24
5,575,000	$0.82	15-Nov-24
306,000	$0.68	27-Apr-25
578,000	$0.52	31-Jul-25
70,000	$0.23	1-Oct-25
75,000	$0.23	1-Dec-25
100,000	$0.14	1-Jan-26
533,000	$0.14	1-Apr-26
18,180,771		

PERFORMANCE RIGHTS

Number of Rights	Exercise Price ($) (i)	Expiry Date
100,000	-	31-Jul-19
635,000	-	14-Nov-19
331,500	-	25-Oct-20
57,000	-	4-Nov-20
3,128,000	-	15-Nov-20
180,000	-	27-Apr-21
310,000	-	31-Jul-21
175,000	-	5-Jun-22
4,916,500		

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

Employee Stock Option Plan (ESOP)

The year-end balance is represented by:

Number of Options	Exercise Price ($)	Expiry Date
48,583	$0.21	15-Aug-19
175,000	$0.18	31-Dec-19
2,020,574	$0.11-$0.44	30-Jun-20
100,000	$0.18	31-Dec-20
1,168,412	$0.21-$0.26	30-Jun-21
100,000	$0.44	30-Jun-22
7,252,561	$0.35	8-Jul-22
10,865,130		

Chief Executive Option Plan

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

(C) WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE

Employee Share Option Plan (ESOP)

The weighted average remaining contractual life for share options outstanding as at 30 June 2019 is 2.47 (2018: 2.96) years.

Employee Incentive Plan (EIP)

The weighted average remaining contractual life for share options outstanding as at 30 June 2019 is 4.10 (2018: 3.74) years. The weighted average remaining contractual life for performance rights outstanding as at 30 June 2019 is 1.34 (2018: 2.22) years.

(D) RANGE OF EXERCISE PRICES

Employee Share Option Plan (ESOP)

The range of exercise prices for options outstanding as at 30 June 2019 is $0.11-0.44 (2018: $0.11-0.68)

Employee Incentive Plan (EIP)

The range of exercise prices for options outstanding as at 30 June 2019 is $0.14-1.66 (2018: $0.46-1.66). The performance rights are issued at nil exercise price.

(E) WEIGHTED AVERAGE FAIR VALUE

Employee Incentive Plan (EIP)

The weighted average fair value of options granted during the year was $0.31 (2018: $0.87).

(F) OPTION PRICING MODEL

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

The following table lists the inputs in the models used for the financial years ended 30 June 2019 and 2018:

	EIP Issue 2019	EIP Issue 2018
Expected Volatility (%)	52.70%	75.90%
Risk Free Interest Rate (%)	2.36%	1.90%
Expected Life of Options (Years)	7	7
Option Exercise Price ($)	$0.14 - $0.52	$0.64 - $0.82
Stock Price at Grant Date ($)	$0.14 - $0.41	$0.66 - $0.82
Calculated Fair Value at Grant Date ($)	$0.06 - $0.24	$0.37 - $0.53

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

The dividend yield for all tranches was nil. The weighted average share price for all tranches at grant date was $0.31 in financial year 2019 (2018: $0.81).

The effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on management's expectation of exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future.

The expected volatility rate was determined using a

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

(G) ACCOUNTING POLICIES FOR EQUITY-SETTLED TRANSACTIONS

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

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of ImpediMed Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service condition are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

- The grant date fair value of the award
- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- The expired portion of the vesting period

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

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

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

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

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

19. Income Tax

Income Tax Expense

The major components of income tax are:

	2019 $000	2018 $000
Current Income Tax		
Current Income Tax Expense	**47**	42
Prior Year Over/Under Provision	**4**	-
Income Tax Loss Reported in the Consolidated Statement of Comprehensive Income	**51**	42

Tax Losses

The Group has tax losses in Australia of approximately $71.0 million (2018: $64.6 million) and tax losses in the U.S. of approximately USD $94.2 million (2018: USD $83.8 million) that are available for offset against future taxable profits of the companies in which the losses arose, subject to satisfying the relevant income tax loss carry forward rules. U.S. tax losses of USD $68.2 million incurred prior to 2017 have a 20-year expiry period, with an expiry range of 2027 to 2037. No deferred tax asset has been recorded in relation to these tax losses.

Statement of Comprehensive Income Disclosure

	2019 $000	2018 $000
A reconciliation between tax expense and the accounting profit before income tax multiplied by the Group's applicable tax rate is as follows:		
Group's Applicable Tax Rate is as Follows:		
Accounting Loss Before Tax from Continuing Operations and Discontinued Operations	**(24,072)**	(27,132)
Accounting Loss Before Income Tax	**(24,072)**	(27,132)
At Australia's Statutory Income Tax Rate of 27.5% (2018: 27.5%)	**(6,620)**	(7,461)
Adjustment for Current Income Tax of Previous Years		
Expenditure Not Allowable for Income Tax Purposes	**2,261**	2,365
Other Assessable Income	**42**	25
Non-Assessable Income	**(721)**	(810)
Other Temporary Differences Not Recognised	**(523)**	128
Foreign Tax Rate Adjustment (i)	**960**	(4)
Tax Losses Not Recognised (ii)	**4,648**	5,799
Prior Year Over/Under Provision	**4**	-
Income Tax Loss Reported in the Consolidated Statement of Comprehensive Income	**51**	42

(i) Movement in the Foreign Tax Rate Adjustment is related to the decrease in the US corporate tax rate.
(ii) Movement in the Tax Losses Not Recognised is primarily related to increased capitalised development costs.

Deferred Tax Disclosures

	2019 $000	2018 $000
Deferred Tax Assets		
Doubtful Debts	**13**	106
Employee Entitlements	**201**	238
S40-880 Costs	**250**	551
Patents and License Costs	**384**	268
Sundry Creditors and Accruals	**75**	97
Losses Available for Offset Against Future Taxable Income	**45,861**	46,237
Revenue Received in Advance	**53**	22
Inventory and Other Provisions	**279**	395
Unrealised Foreign Exchange Losses	**(5,981)**	(3,728)
Deferred Tax Liabilities		
Income not Derived for Tax Purposes	**-**	(27)
Subtotal	**41,135**	44,159
Deferred Tax Assets not Recognisable	**(41,135)**	(44,159)
Net Deferred Tax Balance Per Accounts	**-**	-

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by local jurisdictions as of the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a buy in combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries and the timing of the reversal of the temporary difference can be controlled and it is probably that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

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

Other Taxes

Revenues, expenses, assets, and liabilities are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation

authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables in current assets, which, in general are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

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

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

20. Parent Entity Information

Information Relating to ImpediMed Limited:	**2019 $000**	**2018 $000**
Current Assets	**4,171**	4,889
Total Assets	**6,946**	5,932
Current Liabilities	**1,495**	987
Total Liabilities	**1,531**	1,009
Issued Capital	**219,727**	219,746
Accumulated Losses	**(236,562)**	(229,090)
Performance Share Reserve	**4,070**	2,960
Share Option Reserve	**14,801**	13,062
Total Shareholder's Equity	**2,036**	6,678
Loss of the Parent Entity	**(7,472)**	(8,231)
Total Comprehensive Loss of the Parent Entity	**(7,472)**	(8,231)

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

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

21. Related Party Disclosures

Subsidiaries

The consolidated financial statements include the financial statements of ImpediMed Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	% Equity Interest	
		2019	2018
ImpediMed Incorporated	United States	100	100
ImpediMed Hellas	Greece	100	100
ImpediMed TM Incorporated	United States	100	100

Ultimate Parent

ImpediMed Limited is the ultimate Australian parent entity.

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

For the year ended 30 June 2019, and for the prior year, no transactions with Directors occurred that would be considered related party transactions.

Terms and Conditions of Transactions with Related Parties

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

Key Management Personnel (KMP)

Details relating to key management personnel, including remuneration paid, are including in note 18.

For the year ended 30 June 2019, there were no other transactions with KMP that would be considered related party transactions.

22. Auditor's Remuneration

	2019 $000	2018 $000
Amounts Received or Due and Receivable by Ernst & Young Australia for:		
Audit and Review of Financial Report of the Entity	**209**	232
Total Auditor's Remuneration	**209**	232

23. Commitments

Operating Lease Commitments

The Group is under lease for one (1) Australian-based headquarters, one (1) US-based operating facilities, and one (1) Greece-based facility. The leases have a total range of less than one-year to four-years remaining. Several of the leases contain a termination option prior to the end of the lease, leaving a range of less than one-year to three-years remaining under the minimum lease obligations. In April 2017, the Group signed a three-year commercial lease extension for the Brisbane-based headquarters of the Parent entity. Commitments for facilities include base rental fees and an estimate for common-area-maintenance (CAM) fees, where applicable.

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

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2019 are as follows:

	2019 $000	2018 $000
Within One Year	**358**	334
After One Year but not More than Five	**666**	862
Total Commitments	**1,024**	1,196

Finance Lease Commitments

The Group does not currently have any open finance leases.

Expenditure Commitments

At 30 June 2019, the Group has commitments of $2.2 million (2018: $2.2 million) relating to the funding of future product builds, clinical trials, advertising and promotional activities, and other activities. The expenditure commitments primarily relate to the commercialisation of the SOZO device with L-Dex technology in the US marketplace, as well as the PREVENT and CHF clinical trials.

	2019 $000	2018 $000
Within One Year	**2,177**	2,153
Total Expenditure Commitments	**2,177**	2,153

Royalty Commitments

At 30 June 2019, the Group has liabilities related to commitments for the payment of royalties, which are provided on product sales and are accrued and recognised for the year ended 30 June 2019.

Accounting Policies for Onerous Contracts

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

Accounting Policies for Commitments

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

Group as Lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss. The Group had no material finance leases at 30 June 2019 (30 June 2018: nil).

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Group as a Lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. When material, initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

Impact of AASB 16 Leases

The AASB issued a new accounting standard, called AASB 16 Leases. It replaces the previous accounting standard, AASB 117 Leases is effective 1 January 2019. The objective of the new standard is to set out the principles that both parties to a contract [customer (lessee) and supplier (lessor)] apply, in order to provide relevant information about leases. The changes to the accounting standard don't represent major changes for the lessor, but it does mean that the lessee is required to recognise assets and liabilities arising from a lease on its balance sheet.

Consistent with the Group's current accounting policies for leases, leases under AASB 117 to date have been categorised as either 'finance leases' (which are reported on the balance sheet) or 'operating leases' (which are disclosed only in the notes to the financial statements). The new standard looks to provide transparency on the lessee's lease assets and liabilities by requiring that they be brought on to the balance sheet and eliminates the classification of leases as either operating leases or finance leases for a lessee.

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

- Lessees will no longer be required to classify leases as either operating or finance leases.
- Lessees will recognise all leases in the balance sheet in a similar manner to existing finance leases by recognising a 'right-of-use' asset and a lease liability for the present value of the obligation.

- If the lease contract is for a period of 12 months or less, or it is a lease of a low value asset, then the lessee may elect to apply recognition exemption to this lease. Under this exemption entities can recognise the lease payments as an expense in profit or loss on either a straight-line basis, or another systematic basis that represents the pattern of your expected benefits.
- Lessees will no longer recognise straight-line expenses for operating lease costs. All leases will incur a front-end loaded expense, comprising depreciation on the right-of-use asset, and interest on the lease liability.
- Lessees will no longer recognise the lease expense as an operating expense in rent and property expenses. The expense will be depreciation/amortization and interest in operating expenses.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The Group expects to use the transition option that measures the right-of-use assets as the amount of the lease liability on adoption.

The Group has determined the estimated impact in relation to the right-of-use assets and lease liabilities will be materially consistent with the undiscounted cashflows in Note 23 Commitments.

24. Contingencies

Legal Claims

At 30 June 2019, the Group has no known open claims or lawsuits against it.

Contingent Liabilities

The Group had no contingent liabilities as at 30 June 2019 or 2018.

Cross Guarantees

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

25. Events After the Balance Sheet Date

The Group announced the completion of its fully underwritten non-renounceable entitlement offer on 19 July 2019. Under the Entitlement Offer, eligible shareholders were invited to subscribe for one (1) new share ("New Share") for every three (3) shares in the Company of which they were the registered holder, at an issue price of $0.11 per New Share.

In accordance with the ASX Listing Rules, ImpediMed advised that it received valid applications under the Entitlement Offer for 88,249,289 new shares in ImpediMed (to raise approximately $9.7 million).

The balance of 38,353,639 new shares, being shares not subscribed for by eligible shareholders in accordance with their pro rata entitlements under the Entitlement Offer, were issued under the underwriting arrangements described in the Offer Booklet.

The new shares were issued on 24 July 2019.

Proceeds from the Entitlement Offer will be applied to fund growth initiatives, including expanding reimbursement and sales and marketing efforts in the US market, software enhancements, heart failure clinical trials and general working capital.

26. Financial Risk Management Objectives and Policies

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

Risk Exposures and Responses

The Group has various financial instruments such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group manages its exposure to risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security. The Board reviews and agrees to policies for managing these risks which are summarized below.

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

Interest Rate Risk

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

	2019 $000	2018 $000
Financial Assets		
Cash and Cash Equivalents	**11,330**	31,345
Restricted Cash, Current and Non-current	**76**	95
Net Exposure	**11,406**	31,440

The Group does not enter into interest rate swaps, designated to hedge underlying assets or debt obligations, to manage the interest rate risk.

The Group consistently analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates.

At 30 June 2019, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	Post Tax Loss Higher / (Lower)	
	2019 $000	2018 $000
+1.0% (100 Basis Points)	**114**	314
-0.5% (50 Basis Points)	**(57)**	(157)

The movements in loss are due to higher/lower interest income from variable rate cash balances. Reasonably possible movements in interest rates were determined based on the Group's current credit rating and relationships with financial institutions and economic forecaster's expectations.

Foreign Currency Risk

As a result of operations in the US and purchases of inventory denominated in United States dollars (USD), the Group's balance sheet can be affected by movements in the USD/AUD exchange rates. The Group has transactional currency exposure related to USD, EUR, and GBP resulting from sales activities into the US and Europe.

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

The group does not enter into any forward contracts or any other instrument to hedge the currency exposure, as the Group maintains a significant portion of available funds in USD to match USD expected expenses.

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

At 30 June 2019, the Group had the following exposure to foreign currency:

	2019 $000	2018 $000
Financial Assets		
Cash and Cash Equivalents – USD	**154**	210
Cash and Cash Equivalents – EUR (i)	**64**	7
Cash and Cash Equivalents – GBP (ii)	**3**	1
Trade and Other Receivables – USD	**10**	109
Trade and Other Receivables – EUR (i)	**31**	-
	262	327
Financial Liabilities		
Trade and Other Payables – USD	**54**	-
Net Exposure	**208**	327

(i) EUR is Euro
(ii) GBP is Great Britain Pound

At 30 June 2019, had the Australian dollar moved against the US dollar, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	Post Tax Loss Higher / (Lower)	
	2019 $000	2018 $000
AUD to Foreign Currency + 15% (2018: +15%)	**(27)**	(41)
AUD to Foreign Currency – 15% (2018: –15%)	**38**	102

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

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

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

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum

exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group seeks to trade only with recognised, creditworthy third parties, and as such collateral is typically not requested nor is it the Group's policy to securities its trade and other receivables.

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

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

There are no significant concentrations of credit risk within the Group and $75,000 in outstanding term deposits held at the end of the financial year (2018: $75,000). The Group holds a large percentage of cash in Money Market accounts through Bank of America in the US. These accounts are not federally insured but are highly rated and highly regulated investment funds that carry low risk of default.

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

Liquidity Risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. The Group has no bank overdrafts or bank loans at 30 June 2019.

The table below reflects all contractually fixed payments and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2019.

Maturity Analysis of Financial Assets

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

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

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

Year Ended 30 June 2019	≤ 6 months $000	6 – 12 months $000	1 – 5 years $000	Total $000
Liquid Financial Assets				
Cash and Cash Equivalents	11,330	-	-	11,330
Trade and Other Receivables	3,488	-	-	3,488
Other Financial Assets	-	-	45	45
Subtotal	**14,818**	**-**	**45**	**14,863**
Financial Liabilities				
Trade and Other Payables	(2,393)	(54)	-	(2,447)
Net Flow	**12,425**	**(54)**	**45**	**12,416**

Year Ended 30 June 2018	≤ 6 months $000	6 – 12 months $000	1 – 5 years $000	Total $000
Liquid Financial Assets				
Cash and Cash Equivalents	31,345	-	-	31,345
Trade and Other Receivables	4,100	-	-	4,100
Other Financial Assets	-	-	95	95
Subtotal	35,445	-	95	35,540
Financial Liabilities				
Trade and Other Payables	(2,286)	-	-	(2,286)
Net Flow	33,159	-	95	33,254

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

27. Financial Instruments

Fair Values

Fair values have been determined as follows:

Cash and Cash Equivalents:
The carrying amount approximates fair value because of the short-term maturity and/or because the interest rates applied are variable interest rates.

Restricted Cash:
The carrying amount approximates fair value because the interest rates applied are variable interest rates.

Trade Receivables and Payables:
The carrying amount approximates fair value because of the short-term maturity.

Other Financial Assets:
By reference to the current market value of another instrument which is substantially the same or is calculated based on expected cash flows of the underlying net asset base of the financial asset.
Management have assessed that the fair values of the following assets approximate their carrying amounts:

	Carrying Amount		Fair Value	
	2019 $000	2018 $000 (restated)	**2019 $000**	2018 $000 (restated)
Financial Assets				
Cash and Cash Equivalents	**11,330**	31,345	**11,330**	31,345
Restricted Cash	**31**	31	**31**	31
Trade and Other Receivables	**3,488**	4,100	**3,488**	4,100
Contract Assets	**497**	8	**497**	8
Other Financial Assets	**45**	64	**45**	64
Total Financial Assets	**15,391**	35,548	**15,391**	35,548
Financial Liabilities				
Trade and Other Payables	**(2,447)**	(2,286)	**(2,447)**	(2,286)
Contract Liabilities	**(520)**	(230)	**(520)**	(230)
Total Financial Liabilities	**(2,967)**	(2,516)	**(2,967)**	(2,516)

28. Significant Accounting Policies

Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent assets and liabilities, commitments, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Impairment of Non-Financial Assets Other than

Goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future sales expectations. If an impairment trigger exists, the recoverable amount of the asset is determined.

For assets other than inventory, the impairment triggers used by the Group did not show any indication of impairment as at 30 June 2019. As a result, no impairment has been formally estimated and no impairment loss has been recognised for these assets for this financial period. Refer to Note 12 for the complete details regarding impairment testing.

Impairment of Goodwill and Intangibles with Indefinite Useful Lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. Management determined that no impairment loss should be recognised for this financial reporting period. The assumptions used in this estimation of goodwill and intangibles with indefinite useful lives are discussed in Note 12.

Inventory Impairment

The Group reviews the value of inventories held to determine if inventories are being held at the lower of cost and net realisable value. This requires a determination by Management of the cost of inventories held and the subsequent recognition of these items as expenses, including any write-down to net realisable value. During the year ended 30 June 2019, there were no write-downs to inventory. During the year ended 30 June 2018, a review showed that due to the commercial availability of SOZO, an obsolescence indicator is likely to be present for legacy BIS measurement devices. An impairment loss of approximately $709,000 was recognised during the period ended 30 June 2018 related to BIS measurement devices and components.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. Refer to Note 19 for the complete details regarding deferred tax assets and deferred tax liabilities.

Development Costs

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

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

Research and Development Tax Incentive

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

Share-based Payment Transactions

The Group measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by management. The Black Scholes model is used for option grants without conditions, while the Monte Carlo model is used for option grants with conditions. The assumptions are detailed in Note 18. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

29. Discontinued Operations

In October 2018, the Group announced that it agreed to the divestiture of XiTRON Technologies, Inc. ("XiTRON"), a wholly owned subsidiary of the Parent. Under the terms of the agreement, the Group agreed to sell the majority of the net assets of the test and measurement ("T&M") business. The T&M business of XiTRON represented the entirety of the Group's T&M operating segment through its closure in October 2018.

During the current financial period, the Group applied AASB 5 Non-current Assets Held for Sale and Discontinued Operations as part of accounting for the divestiture of XiTRON Technologies, Inc. and the T&M operating segment. The entirety of the transaction occurred during the current financial period. AASB 5 prohibits the retrospective classification as a discontinued operation, when the discontinued criteria are met after the end of the reporting period.
With the T&M business of XiTRON being classified as a discontinued operation, the T&M operating segment is no longer presented as a distinct operating segment. Refer to Note 4 Segment Reporting for additional information on segment reporting.

The results of the test and measurement operating segment for the year ended 30 June are presented as follows:

	2019 $000	2018 $000
Revenue from Contracts with Customers	**292**	1,280
Expenses	**(386)**	(1,404)
Operating Loss	**(94)**	(124)
Impairment Loss Recognised on the Remeasurement of Fair Value Less Costs to Sell	**(33)**	-
Loss for the Year from Discontinued Operations	**(127)**	(124)
Proceeds from the Disposal of a Business, Net of Disposal Costs	**467**	-
Net Assets Associated with Discontinued Operations	**594**	-
Loss for the Year from Discontinued Operations	**(127)**	(124)

The net cash flows incurred by the test and measurement operating segment for the year ended 30 June are presented as follows:

	2019 $000	2018 $000
Operating	**8**	52
Investing	**-**	-
Financing	**-**	-
Net Cash Flow	**8**	**52**

30. Changes to the Group's Accounting Policies

Impact of AASB 15 Revenue from Contracts with Customers

The Group applied AASB 15 Revenue from Contracts with Customers for the first time during the current financial period. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to apply judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to

fulfilling a contract.

AASB 15 Revenue Recognition Policy

(a) Sale of Goods – Device and Consumable Revenue (Legacy)

Revenue from the stand-alone sale of legacy devices and consumables is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the devices or consumables, and when there is persuasive evidence, usually in the form of a purchase order or an executed sales agreement with a customer at the time of delivery of the goods to the customer that no further work or processing is required to satisfy the performance obligation, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed (for shipped goods this is the bill of lading date).

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

(b) SOZO 2.0 – Sale of Device and Subscription Services

The Group enters into contracts with customers for bundled sales of SOZO 2.0 devices and subscription services. The Group has determined that these bundled sales contracts are comprised of two performance obligations because the promises to transfer the SOZO device and provide subscription services for ongoing assessment are capable of being distinct and separately identified.

Accordingly, the Group allocates the transaction price, which may include a discount, based on the relative stand-alone selling prices of the equipment and subscription services.

The transaction price allocated to the SOZO device is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the devices in accordance with the contractual terms, and when there is persuasive evidence, usually in the form of a purchase order or an executed sales agreement with a customer at the time of delivery of the goods to the customer that no further work or processing is required to satisfy the performance obligation, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed (for shipped goods this is the bill of lading date).

The revenue from subscription services related to ongoing provision of access to assessment and testing for SOZO is recognised at a point in time based on the enforceable contract value based on the quoted price in the form of a purchase order or an executed sales agreement with a customer.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

(c) SOZO 3.0 – Sale of Device and Subscription Services

The Group enters into contracts with customers for bundled sales of SOZO 3.0 devices and subscription services. The Group has determined that these bundled sales contracts are comprised of one performance obligations because the promises to transfer the SOZO device and subscription services for ongoing assessment are not capable of being distinct and separately identified.

Accordingly, the Group allocates the entire transaction price, which may include a discount, to the one performance obligation.

Revenue under these contracts are recongised using the input cost method based on the estimated cost of fulfilling the completion of the promises in accordance with the contractual terms, and when there is persuasive evidence, usually in the form of a purchase order or an executed sales agreement with a customer at the time of delivery of the goods to the customer.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

(d) Rendering of Other Services

Revenue from the repair of instruments is recognised at the point in time upon completion of the performance obligation, which is typically when the repair has been performed. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

During the year ended 30 June 2019 the Group recognised revenue totaling $58,000 (30 June 2018: $66,000) for the rendering of other services.

Key Considerations in the Revenue Policy

In determining the transaction price for the subscription services, the Group considers the effect of the following:

(i) Judgements

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Identifying the number of performance obligations in a bundled sale of equipment and subscription services under different contractual arrangement for SOZO 2.0 and 3.0. The Group provides devices that

are bundled together with the subscription services to a customer. Under the contractual terms the subscription services are a promise to provide ongoing access to assessment and testing services in the future and are part of the negotiated exchange between the Group and the customer. The delivery of those services can vary under the contracts and impacts the determination of performance obligations.

(ii) Significant Financing Component

The Group may receive short-term advances from its customers in the form of up-front payment of devices, consumables or advance payment of subscription services. The group has not identified any significant financing components within these advances. Using the practical expedient in AASB 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. There was no adjustment made in respect of this in the current or prior periods.

(iii) Warranty Obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

(iv) Incremental Costs of Obtaining a Contract

The Group pays sales commission to its employees for each contract that they obtain for bundled sales of SOZO devices and subscription services. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

(v) Contract Balances

Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group completes the performance obligations under the contract.

Impact of Adopting the New Standard – Restatement of Prior Period Balances

The Group adopted AASB 15 using the full retrospective method of adoption. There was no opening retained earnings adjustment or contract asset and liability as at 1 July 2017 due to the fact that there were no SOZO bundled contracts in existence at this date. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The effect of adopting AASB 15 on the comparative period is, as follows:

(i) Impact on Statement of Profit or Loss (Increase/(Decrease) in Profit)

	30 June 2018 $000
Revenue from Devices	(198)
Total Revenue	(198)
Loss from Continuing Operations Before Income Tax	(198)
Net Loss from Continuing Operations	(198)

(ii) Impact on Basic and Diluted Earnings per Share (EPS) (Increase/(Decrease) in EPS)

	30 June 2018 $000
Basic and Diluted Earnings per Share	-

(iii) Impact on the Consolidated Balance Sheet at 30 June 2018

	30 June 2018 $000
Trade and Other Receivables	(206)
Contract Assets	8
Trade and Other Payables	(230)
Contract Liabilities	230
Accumulated Losses	(198)

The change did not have a material impact on OCI or the consolidated statement of cash flows for the period.

There have been no significant changes in the contract asset and contract liability balances due to impairment, expected credit losses, change in the time frame for a right to consideration to become unconditional, or change in the time frame for a performance obligation to be satisfied during the reporting period.

Impact of AASB 9 Financial Instruments

The Group applied AASB 9 Financial Instruments for the first time during the current financial period. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

The majority of the Group's tangible assets are cash, short term deposits, accounts receivables, and inventory.

The new classification requirements of the standard did not have a material impact on these existing financial assets.

On adoption of the new standard at 1 July 2018, the Group reviewed on transition the effect that any credit loss impact had on trade receivables at 30 June 2018 and determined that AASB 9 did not have a material effect on the Group's consolidated financial statements compared to the Group's existing policies on provisioning for doubtful debts on trade receivables.

Impairment of Financial Assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impact of AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

The AASB issued amendments to AASB 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The Group has no share-based payment transactions with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transactions. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

Directors' Declaration

For the year-ended 30 June 2019

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

In the opinion of the Directors:

(a) The financial statements and notes of the consolidated entity for the year-ended 30 June 2019 are in accordance with the Corporations Act 2001, including
    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance of the year-ended on that date; and
    (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
(b) the consolidated financial statements and notes also comply with the International Financial Reporting Standards as disclosed in note 1.
(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

This determination has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2019.

On behalf of the Board





Scott Ward
Chairman

Judith Downes
Director

21 August 2019

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Building a better working world

Independent Auditor's Report to the Members of ImpediMed Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of ImpediMed Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

Building a better working world

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

Going Concern

Why significant	How our audit addressed the key audit matter
As disclosed in Note 1 of the financial report the Directors concluded that in their opinion despite the Group generating operating losses and net cash outflows for the year, there are reasonable grounds to believe that the Group has the ability to pay its debts as and when they fall due. The financial report has been prepared on a going concern basis. The going concern assumption is fundamental to the basis of preparation of the financial report. As the Group has not generated a profit since it started operations and given the judgment involved in preparing cash flow forecasts, we considered this matter and the related disclosures to be a Key Audit Matter.	Our audit procedures included the following: ▸ Assessed the Directors' determination and conclusion as to the going concern basis of preparation. ▸ Considered the operating plans of the Group and evaluated the assumptions made in the cash flows forecasts on which the Directors' assessment is based. ▸ Considered the historical reliability of the Group's cash flow forecasts and agreed the cash flow forecasts to the Board approved operating plan. ▸ Considered the impact of a range of sensitivities to the cash flow model. ▸ Traced to subsequent receipt the cash inflow of $13.167 million from the rights offer completed in July 2019. ▸ Evaluated the adequacy of the Group's going concern related disclosures in the financial report.

Research and development receivable

Why significant	How our audit addressed the key audit matter
As outlined in Note 6 Other Income and Expenses, the Group recognised a research & development (R&D) tax incentive totaling $2.620m for the year ended 30 June 2019. The matter was considered a key audit matter for the following reasons: ▸ The R&D tax incentive balance is a significant component of income to the Group; and ▸ As outlined in Note 28 Significant accounting judgments, estimates and assumptions, there is a degree of judgment involved as to whether the R&D tax incentive meets the recognition criteria and in determining the measurement of the rebate including the assessment of the eligibility and appropriateness of the apportionment of eligible expenses based on R&D activities undertaken by the Group.	Our audit procedures included the following: ▸ Assessed the mathematical accuracy of the calculation of the Group's claim. ▸ On a sample basis, agreed expenses claimed to source documentation, such as payroll information and invoices. ▸ Involved our R&D taxation specialists to review the Group's R&D claim and to consider whether the Group's R&D claim meets the recognition criteria. ▸ Obtained representations from the Group that the activities are eligible under the self-assessed R&D Tax Incentive criteria, and for a sample of transactions tested the support for the technical and expenditure components of the R&D tax claim. ▸ Considered the appropriateness of the disclosures in the financial report.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Building a better working world

Revenue recognition

Why significant	How our audit addressed the key audit matter
As outlined in Note 30 Changes to the Group's Accounting Policies, the Group has applied AASB 15 *Revenue from Contacts with Customers* (AASB 15) for the first time during the current financial period. The matter was considered a key audit matter due to the Group having a number of different types of revenue, including multi-element arrangements, and the judgements involved in the determination of the performance obligations which impacts the amount and timing of the recognition of revenue from contracts with customers.	Our audit procedures included the following: ▸ For each material revenue stream, we assessed the Group's application of AASB 15, including reviewing the contractual terms of the different customer contracts and the application of the requirements of AABS 15. ▸ Selected a sample of revenue contracts and assessed whether revenue was recognised in accordance with AASB 15. ▸ Assessed the adequacy of the financial report disclosures included in Note 30 to the financial statements.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Building a better working world

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Building a better working world

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of ImpediMed Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Jennifer Barker
Partner
Brisbane
21 August 2019

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Shareholder Information (Unaudited)

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 26 July 2019.

(A) DISTRIBUTION OF SHAREHOLDERS

The distribution of Issued Capital is as follows:

Side of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
100,001 and Over	504	426.722.198	84.14%
10,001 to 100,000	2,141	72,510,796	14.30%
5,001 to 10,000	691	5,423,477	1.07%
1,001 to 5,000	773	2,363,795	0.47%
1 to 1,000	394	136,681	0.03%
Total	**4,503**	**507,156,947**	**100.00%**

(B) DISTRIBUTION OF PERFORMANCE RIGHTS HOLDERS

The distribution of unquoted Performance Rights on issue are:

Side of Holding	Number of Holders	Unlisted Performance Rights	% of Issued Capital
100,001 and Over	9	4,366,500	89%
1 to 100,000	8	550,000	11%
Total	**17**	**4,916,500**	**100%**

(C) DISTRIBUTION OF OPTIONS

The distribution of unquoted options on issue are:

Side of Holding	Number of Holders	Unlisted Options	% of Issued Capital
100,001 and Over	28	28,016,401	96%
1 to 100,000	21	1,029,500	4%
Total	**49**	**29,045,901**	**100%**

(D) LESS THAN MARKETABLE PARCELS OF ORDINARY SHARES

There are 883 shareholders with unmarketable parcels totaling 1,227,997 shares.

(E) 20 LARGEST SHAREHOLDERS

	Shareholder	Number of Fully Paid Ordinary Shares	% of Issued Capital
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	53,868,520	10.62%
	NATIONAL NOMINEES LIMITED	43,671,207	8.61%
	CITICORP NOMINEES PTY LIMITED	34,767,137	6.86%
	BNP PARIBAS NOMINEES PTY LTD	22,805,968	4.50%
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	22,023,151	4.34%
	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	19,802,727	3.90%
	CS THIRD NOMINEES PTY LIMITED	19,521,363	3.85%
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSI EDA	8,178,993	1.61%
	SANDHURST TRUSTEES LTD	6,160,302	1.21%
	BNP PARIBAS NOMS PTY LTD	4,281,955	0.84%
	MOORE FAMILY NOMINEE PTY LTD	4,000,000	0.79%
	PAKASOLUTO PTY LIMITED	3,981,715	0.79%
	FOCUS ASSET MANAGEMENT PTY LTD	3,637,252	0.72%
	MBA INVESTMENTS PTY LTD	3,408,051	0.67%
	SUNLORA PTY LTD	3,400,000	0.67%
	BNP PARIBAS NOMINEES PTY LTD	3,380,447	0.67%
	CITICORP NOMINEES PTY LIMITED	3,354,977	0.66%
	THORPE ROAD NOMINEES PTY LTD	3,221,288	0.64%
	PASAGEAN PTY LIMITED	2,650,001	0.52%
	MS NICOLA JAGUSCH	2,176,202	0.43%
	Total	**268,291,256**	**52.90%**
	Total Quoted Equity Securities	**507,156,947**	

(F) UNQUOTED EQUITY SECURITIES

The company had the following unquoted securities on issue as at 26 July 2019: 29,045,901 holders of performance rights issued as part of an incentive scheme.

The company had the following unquoted performance rights on issue as at 26 July 2019: 4,916,500 holders of performance rights issued as part of an incentive scheme.

(G) SUBSTANTIAL SHAREHOLDERS

The names of the Substantial Shareholders listed in the Group's Register as at 12 August 2019:

Shareholder	Number of Fully Paid Ordinary Shares	% of Issued Capital
Allan Gray Australia Pty Limited and its related bodies corporate	80,737,989	15.92%
Paradice Investment Management	28,670,197	5.65%

(H) RESTRICTED SECURITIES

The company had no restricted securities on issue as at 26 July 2019.

(J) ON-MARKET BUY-BACKS

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

(I) VOTING RIGHTS

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in duly authorized representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid ordinary share, on a poll. Performance rights have no voting rights.

2019

ImpediMed Limited
Annual Report

www.impedimed.com