

IMPEDIMED LIMITED

ABN 65 089 705 144

Financial Report

For the half year ended 31 December 2007

Corporate Information

ABN: 65 089 705 144

This financial report covers the consolidated entity comprising ImpediMed Limited and its subsidiaries. The Group's functional and presentation currency is AUD (\$).

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

Directors

M Bridges (Chairman)
G Brown (Chief Executive)
M Kriewaldt
C Hirst
J Hazel
M Panaccio

Company Secretary

P Auckland
S Denaro

Registered office

Building 4B, Garden City Office Park
2404 Logan Road
Eight Mile Plains QLD 4113

Principal place of business

Building 4B, Garden City Office Park
2404 Logan Road
Eight Mile Plains QLD 4113

Share Register

Link Market Services
Level 22
300 Queen Street
Brisbane QLD 4000

ImpediMed Ltd shares are listed on the Australian Stock Exchange

Solicitors

Corrs Chambers Westgarth
Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Sheppard Mullin
12275 El Camino Real
Suite 300
San Diego CA 92130

McCullough Robertson
Level 11, Central Plaza Two
66 Eagle Street
Brisbane Qld 4000

Bankers

ANZ Bank
Garden City Branch
Logan & Kessels Roads
Upper Mt Gravatt QLD 4122

Auditors

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

Directors' Report

Directors' Report submitted for the half year ended 31 December 2007.

DIRECTORS

The names and details of the company's directors in office during the half year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mel Bridges, B.Sc FAICD - Chairman

Mel Bridges is a co-founder and substantial shareholder in ImpediMed Limited and has over 30 years of international business experience in the healthcare industry. Presently, he is the Chairman of ImpediMed Limited and its Nomination committee and serves on the remuneration committee and the audit committee. Mel is also Chairman of ASX listed Alchemia Ltd and DelvTech Int. Pty Ltd and director of Farmacule Bioindustries Pty Ltd, Imbcom Pty Ltd and Parma Corporation Pty Ltd.

Greg Brown, B.Sc MBA - Executive Director and Chief Executive Officer

Greg Brown has over 21 years of business experience in the healthcare industry in Australia, the USA and in Europe. He joined ImpediMed Limited in April 2004 as Chief Executive Officer and is a substantial shareholder in ImpediMed Limited. Greg is also a director of Impedance Cardiology Systems, Inc and of Cintra Consulting Pty Ltd.

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

Martin Kriewaldt joined ImpediMed Limited as a non-executive director in March 2005 and was a former partner of law firm Allen Allen and Hemsley (now Allen Arthur Robinson). Martin chairs the remuneration committee and serves on the audit committee and nomination committee of the company. Martin is a non-executive director of ASX listed, Suncorp-Metway Ltd, Campbell Brothers Ltd, GWA International Ltd and Oil Search Ltd.

Cherrell Hirst, AO MBBS BEdSt DUniv FAICD - Non-executive Director

Cherrell Hirst joined ImpediMed Limited as a non-executive director in August 2005. Cherrell is a medical doctor and was a leading practitioner in the area of breast cancer diagnosis. Cherrell serves on the remuneration committee, the audit committee, and the nomination committee. She is a non-executive director of ASX listed Peplin Ltd and ASX listed Suncorp Metway Ltd, Avant Mutual and Avant Insurance Ltd, MBF Ltd, and Xenome Limited. Cherrell is also Acting CEO and Executive Director of Queensland BioCapital Funds.

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

Jim Hazel joined ImpediMed Limited as a non-executive director in November 2006. Jim chairs the audit committee and serves on the remuneration committee and nomination committee. Jim had an extensive career in retail and investment banking and was former chief general manager of Adelaide Bank Ltd. Jim is the Chairman of Elders Rural Bank Limited, Chairman of Becton Living Pty Ltd and a director of ASX listed Terramin Australia Ltd.

Michael Panaccio, BSC (Hons), MBA, PhD, FAICD - Non-executive Director

Michael Panaccio joined ImpediMed Limited as a non-executive director in January 2007. Michael is an investment principal and founder of leading Australian venture capital firm Starfish Ventures, a fund with more than \$150m in funds under management, which is a substantial shareholder in ImpediMed. In addition, Michael is chairman of the Australian Biotechnology Advisory Committee, and a director of the Australian Private Equity and Venture Capital Association. Michael's experience also includes more than five years with Singapore based venture capital firm Nomura/AFCO investment (Asia) Limited.

Directors' Report

COMPANY SECRETARY

Phillip Auckland, B.Bus, FCPA (CFO and COO)

Phil Auckland joined ImpediMed Limited in June 2004 as Chief Financial Officer and was appointed Company Secretary in November 2004 and Chief Operating Officer in November 2006. Before joining ImpediMed Limited, he was Chief Financial Officer and Company Secretary of ASX listed PANBIO Ltd. In 2002 he completed the Columbia University (NY) Executive Program. Phil also holds a Graduate Diploma in Company Secretarial Practice.

Stephen Denaro, B.Bus, CA, GDip Corp Governance

Stephen Denaro joined ImpediMed Limited as Company Secretary in March 2003. Stephen has experience in the roles of CFO and Company Secretary in a number of listed companies. Stephen is a principal in Trio Business Intermediaries, a consulting practice through which he performs the role of Company Secretary part-time in a variety of companies. Stephen is a Chartered Accountant and has a Graduate Diploma in Corporate Governance.

REVIEW AND RESULTS OF OPERATIONS

Group Overview

ImpediMed Limited was founded in 1999. It is seeking to create significant global markets for its range of Medical Devices, starting initially with their application to the early detection of Lymphoedema among cancer survivors enabling clinicians to pre-emptively prescribe a treatment to prevent the onset of severe Lymphoedema.

The products have been built on the research work done by Professor Leigh Ward of the University of Queensland, Professor Bruce Cornish and Professor Brian Thomas of the Queensland University of Technology, and are supported by a patent family of 17 patents.

At balance date, the group had two subsidiaries, ImpediMed Inc and Xitron Technologies Inc (acquired effective 1 October 2007).

Results of Operations

- Sales of Goods and Services for the reporting period were \$893,266, up 12.9% versus the comparative period total of \$791,143.
- As a result of capital raising activities, and in connection with conversion discounts on convertible notes and Preference Shares both in the reporting period and the comparative period, the group incurred significant expenses which are classified by AIFRS as Interest. For the reporting period this expense was \$1,681,893 and for the comparative period it was \$892,457. All of the discounts on conversion related to the period prior to the company's listing on the ASX on 24 October 2007, and were non-cash expenses.
- Expenses related to this non-cash interest are shown below EBITDA for continuing operations.
- EBITDA for continuing operations for the reporting period was (\$3,715,097) – as opposed to the net loss for the reporting period of (\$5,552,155). EBITDA is a better indication of the results of the operating business.

Referring to the Cash Flow Statement, the net cash outflow from operations for the period was \$4,359,484. This cash outflow from operations remains consistent with the directors expectations that supported the assumptions in the company's prospectus dated 11 September 2007, that the funds raised under the company's initial public offering, in conjunction with the revenue generated from anticipated sales will be sufficient to fund the company's operations for 18 months.

On 1 October 2007 the company completed the acquisition of Xitron Technologies, Inc. The main benefits of the acquisition were described in the company's prospectus dated 11 September 2007. Of significance to a discussion on operations is that the acquired entity is operating at/around a break even. In addition, the acquisition delivers to ImpediMed a much increased base of operations for the US in San Diego which will significantly enhance the group's ability to support the US market. The integration of the Xitron business with ImpediMed is well under way, with ImpediMed gaining significant leverage from the Xitron cost base which was already covered in a break even business.

Directors' Report

The directors append to the Directors' Report the declaration from the auditor of ImpediMed Limited.

Signed in accordance with a resolution of the directors.

Handwritten signature of Mel Bridges in black ink.

Mel Bridges
Chairman

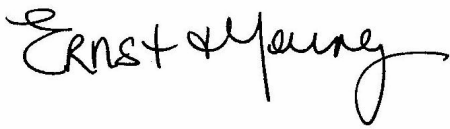
Brisbane
26 February 2008

Handwritten signature of Greg Brown in black ink.

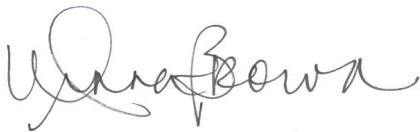
Greg Brown
Managing Director

Auditor's Independence Declaration to the Directors of ImpediMed Limited

In relation to our review of the financial report of ImpediMed Limited for the half-year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Winna Brown
Partner
26 February 2008

Income Statement

FOR THE PERIOD ENDED 31 DECEMBER 2007

		<i>Consolidated</i>	
		2007	2006
		\$	\$
Continuing operations			
Sale of goods		839,269	782,332
Rendering of services		53,997	8,811
Finance income		272,349	83,806
Revenue	3a	1,165,615	874,949
Other income	3b	325,722	392,767
Cost of sales		(319,358)	(357,581)
Salaries and benefits	3f	(1,978,887)	(1,205,040)
Advertising and promotion		(144,020)	(53,764)
Consultants fees	3h	(474,329)	(316,536)
Rent and property expenses	3g	(121,016)	(86,551)
Research and development		(637,353)	(388,283)
Travel expenses		(383,449)	(253,881)
Other expenses	3i	(1,148,022)	(1,051,173)
Profit/(loss) from continuing operations before Interest expense, Tax, Depreciation, and Amortisation (Continuing EBITDA)		(3,715,097)	(2,445,093)
Interest expense - converting notes and preference shares	3c	(1,681,893)	(892,457)
Other finance costs	3d	(13,088)	(44,170)
Depreciation and amortisation	3e	(142,077)	(73,201)
Income tax		-	(14,371)
Profit/(loss) from continuing operations after Interest expense, Tax, Depreciation, and Amortisation		(5,552,155)	(3,469,292)
Discontinued operations			
Profit/(loss) from discontinued operations		-	(345)
Gain/(loss) on disposal of assets constituting the discontinued operations		-	6,888,516
Net profit/(loss) for the period		(5,552,155)	3,418,879

Income Statement

FOR THE PERIOD ENDED 31 DECEMBER 2007

Earnings Per Share – Basic and Diluted

	2007	2006
	Cents	Cents
Loss per share from continuing operations attributable to the ordinary equity holders		
Basic loss per share	(0.12)	(0.15)
Diluted loss per share	(0.12)	(0.15)
Loss per share for profit attributable to the ordinary equity holders		
Basic loss per share	(0.12)	0.15
Diluted loss per share	(0.12)	0.14

Balance Sheet

AS AT 31 DECEMBER 2007

		Consolidated as at 31 Dec 2007	Consolidated as at 30 June 2007
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	5	12,562,650	1,612,462
Restricted cash assets	5	43,700	30,700
Trade and other receivables		623,660	754,186
Inventories	9	1,331,789	415,673
Prepayments		226,034	844,844
Other financial assets		108,004	117,129
Total Current Assets		14,895,837	3,774,994
NON-CURRENT ASSETS			
Other financial assets		93,549	93,550
Plant and equipment		230,504	204,316
Intangible assets		1,230,355	184,785
Goodwill	8	2,040,175	-
Total Non-Current Assets		3,594,583	482,651
TOTAL ASSETS		18,490,420	4,257,645
CURRENT LIABILITIES			
Trade and other payables		920,558	979,044
Interest-bearing loans		88,758	83,082
Provisions		539,787	319,096
Converting notes		-	13,879,763
Total Current Liabilities		1,549,103	15,260,985
NON-CURRENT LIABILITIES			
Interest-bearing loans		18,181	64,023
Provisions		322,175	48,935
Preference A Shares		-	6,672,018
Total Non-Current Liabilities		340,356	6,784,976
TOTAL LIABILITIES		1,889,459	22,045,961
NET ASSETS		16,600,961	(17,788,316)
EQUITY			
Issued capital	10	50,404,234	11,151,629
Reserves		1,470,551	1,186,782
Shares to be issued		405,058	-
Accumulated losses		(35,678,882)	(30,126,727)
TOTAL EQUITY		16,600,961	(17,788,316)

Cash Flow Statement

FOR THE PERIOD ENDED 31 DECEMBER 2007

	Notes	Consolidated	
		2007	2006
		\$	\$
Cash flows from operating activities			
Receipts from customers		741,839	934,428
Receipts from grants		647,981	-
Payments to suppliers and employees		(5,938,822)	(3,351,693)
Interest received		202,606	56,444
Interest paid		(13,088)	(44,170)
R&D tax offset received		-	339,612
Net cash flows used in operating activities		(4,359,484)	(2,065,379)
Cash flows from investing activities			
Cash inflow (outflow) from acquisitions	8	73,920	-
Proceeds from sale of plant and equipment		-	10,892
Investment in de-merged entity		-	(1,185,450)
Transaction costs on investment in de-merged entity		-	(399,254)
Purchase of plant and equipment		(56,321)	(68,452)
Purchase of patent		(1,144,024)	(13,817)
Net cash flows from investing activities		(1,126,425)	(1,656,081)
Cash flows from financing activities			
Proceeds from issue of IPO - Public Offer		9,792,000	-
Proceeds from issue of IPO - Redemption Issue		8,208,000	-
Proceeds from issue of series 2 converting notes		-	1,000,000
Proceeds from issue of series 3 converting notes		-	7,150,000
Proceeds from issue of Preference A shares		-	2,970,840
Transaction costs from capital raise		(991,016)	-
Transaction costs on issue of converting notes		-	(56,540)
Transaction costs on issue of Preference A shares		-	(6,269)
Transaction costs on issue of ordinary shares		-	(694,366)
Repayment of loans from related parties		-	(350,000)
Repayment of borrowings		(602,998)	(35,199)
Repayment of finance lease principal		-	(10,024)
Other costs from financing activities		(589)	-
Net cash flows from financing activities		16,405,397	9,968,442
Net increase / (decrease) in cash held		10,919,488	6,246,982
Cash at beginning of period		1,643,162	(601,298)
Cash at close of period	5	12,562,650	5,645,684

Statement of Changes in Equity

FOR THE PERIOD ENDED 31 DECEMBER 2007

	Issued Capital	Reserves	Shares to be Issued	Retained Earnings	Total \$
	\$	\$	\$	\$	
At 1 July 2006	7,634,040	803,950	-	(13,116,964)	(4,678,974)
Foreign currency translation		10,783	-		10,783
Total income recognised in equity		10,783			10,783
Profit/(loss) for the period				3,418,879	3,418,879
Total income and expense for the period		10,783		3,418,879	3,429,662
Cost of share-based payment		69,600			69,600
Issue of share capital	4,989,002				4,989,002
Reduction of share capital	(1,471,413)			(6,883,186)	(8,354,599)
At 31 December 2006	11,151,629	884,333	-	(16,581,271)	(4,545,309)
At 1 July 2007	11,151,629	1,186,782	-	(30,126,727)	(17,788,316)
Foreign currency translation		50,318			50,318
Total income recognised in equity		50,318			50,318
Profit/(loss) for the period				(5,552,155)	(5,552,155)
Total income and expense for the period		50,318		(5,552,155)	(5,501,837)
Share-based payment		233,451			233,451
Conversion of Pref Shares to Ords	7,894,450				7,894,450
Allotment of IPO - Public Offer Ords	9,792,000				9,792,000
Allotment under IPO - Redemption Issue	8,208,000				8,208,000
Allotment on conversion of S3 Conv Notes	14,339,223				14,339,223
Allotment on acquisition of Xitron Tech.	1,156,419				1,156,419
Shares to be issued Xitron Tech Milestone 1			405,058		405,058
Costs of IPO - Capital Raising	(2,137,487)				(2,137,487)
At 31 December 2007	50,404,234	1,470,551	405,058	(35,678,882)	16,600,961

Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2007

Note	Contents	Page
1	Basis of Preparation and Accounting Policies	12
2	Segment Information	12
3	Revenue, Income and Expenses	14
4	Discontinued Operations	16
5	Cash and Cash Equivalents	17
6	Dividends Paid	18
7	Commitments and Contingencies	18
8	Business Combination	18
9	Inventory	20
10	Issued Capital	20
11	Events After the Balance Sheet Date	20

Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2007

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

This general purpose condensed financial report for the half year ended 31 December 2007 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2007 and considered together with any public announcements made by ImpediMed Limited during the half year ended 31 December 2007 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in Accounting Policy

Since 1 July 2007 there were no new accounting Standards or Interpretations which had an impact on the financial position or performance of the Group.

2 SEGMENT INFORMATION

The Group is managed on a global basis around two primary geographical areas -- sales and product development both in Australia and in the United States.

Australia

Australia is the home country of the Group and the domicile of its main assets, most research and product development activities, and most corporate services.

United States of America

Since 1 July 2006, ImpediMed Inc has been the operating entity of the Group for all marketing and sales activities in the US. Transfer prices between ImpediMed Limited and ImpediMed Inc. are set on an arms' length basis in a manner similar to transactions with third parties.

Segment revenue and expenses include transfers between the two companies which are eliminated on consolidation.

The 1 October 2007 acquisition of Xitron Technologies added a second base of US operations for the group in San Diego, and a business operating in the Power test and measurement area, which is incidental to ImpediMed's core medical device business, but which brings compatible engineering skills to ImpediMed's US operations that will support the provision of a service function in the US market.

Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2007

2 SEGMENT INFORMATION (continued)

(a) Segment revenues	External Sales	Inter-segment	Total
	2007	2007	2007
	\$	\$	\$
Australia Revenue	497,430	35,350	532,781
United States of America Revenue	668,185	-	668,185
Consolidated Revenue	1,165,615	35,350	1,200,966
	2006	2006	2006
	\$	\$	\$
Australia Revenue	779,030	141,331	920,361
United States of America Revenue	95,919	-	95,919
Consolidated Revenue	874,949	141,331	1,016,280

(b) Segment result	Total	
	2007	2006
	\$	\$
Australia Profit (Loss)	(7,029,368)	3,331,155
United States of America Profit (Loss)	(924,669)	(322,719)
Profit (Loss) before income tax	(7,954,037)	3,008,436
Eliminations	2,401,882	424,814
Income tax	-	(14,371)
Group Profit / (loss) for the period	(5,552,155)	3,418,879

Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2007

3 REVENUE, INCOME AND EXPENSES

	Consolidated	
	2007	2006
	\$	\$
(a) Revenue		
Sale of goods	839,269	782,332
Rendering of services	53,997	8,811
Finance revenue	272,349	83,806
	1,165,615	874,949
<i>Breakdown of finance revenue</i>		
Bank interest -- Bank Deposits	175,049	75,771
Bank interest -- Term Deposits	91,895	-
Investment income receivable	5,405	8,035
<i>Total Finance revenue</i>	272,349	83,806
(b) Other income		
Commercial Ready Grants (i)	304,850	-
Cost recoupment from ICS (ii)	33,989	389,560
Other	(13,117)	3,207
	325,722	392,767
(c) Interest expense - converting notes and preference shares		
Expense for discount on series 1 notes	-	47,857
Expense for discount on series 2 notes	-	703,031
Expense for discount on series 3 notes	447,924	-
Expense for Pref A1 Bonus Shares	682,320	2,732
Expense for Pref A2 Bonus Shares	503,969	-
Amortisation of capital raising cost for notes	47,680	138,837
	1,681,893	892,457
(d) Other finance costs		
Bank loans and overdrafts	5,014	2,324
Other loans	7,774	41,319
Interest expense on leasehold improvement	300	300
Finance charges payable under finance leases	-	227
	13,088	44,170
(e) Depreciation and amortisation		
Depreciation of plant and equipment	38,582	33,817
Depreciation of Impact Devices	3,478	-
Amortisation of leasehold improvements	1,014	1,014
Amortisation of intangibles	99,003	38,370
	142,077	73,201

Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2007

3 REVENUE, INCOME AND EXPENSES (continued)

	Consolidated	
	2007	2006
	\$	\$
(f) Salaries and benefits		
Wages and salaries	1,646,647	1,041,326
Superannuation costs	106,419	86,726
Long service leave provision	6,294	7,388
Expense of share-based payments	219,527	69,600
	1,978,887	1,205,040
(g) Rent and property expenses		
Minimum lease payments - operating lease	105,947	71,461
Other premises expenses	15,069	15,090
	121,016	86,551
(h) Consultancy Fees		
Consultancy expenses	458,817	316,536
Expenses for share based payments to consultants	15,512	-
	474,329	316,536
(i) Other expenses		
Trademark and patent expense	163,124	45,184
Communication expense	64,936	46,861
Legal expense	60,041	519,172
Bad and doubtful debts	294,049	5,000
Net loss on disposal of plant and equipment	-	413
Directors fees	161,998	59,018
Other expenses	403,874	375,525
	1,148,022	1,051,173
Other expenses include:		
Net foreign exchange realised (gains) / losses	3,209	(1,673)
Net foreign exchange unrealised (gains) / losses	-	24,158
	3,209	22,485

(i) ImpediMed Limited received government grant income for the development of the Imp SFB9 device. The Imp SFB9 is a novel multiplexed Bioimpedance Spectroscopy device.

(ii) ImpediMed Limited charges ICS for R&D services rendered to ICS.

(iii) During the reporting period ImpediMed has taken up a provision for doubtful debts for \$294,049 against a debt owing from a distributor for a shipment in December 2006 on 180 day terms, which it is working to recover, but for which recovery in full can not be assured.

Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2007

4 DISCONTINUED OPERATIONS

No components of the entity have been disposed of or classified as held for sale in the current half-year reporting period.

There were no residual effects during the half-year reporting period pertaining to the Group de-merger from ICS during the prior reporting period.

(a) Details of discontinued operations

In July 2006, the Group incorporated ICS, a wholly owned subsidiary incorporated in Delaware, and transferred all of its cardio assets, comprising its wholly owned subsidiary Aurora Technologies Pty Ltd and various licence and patent rights, to ICS. In October 2006, the Group de-merged ICS Inc through a distribution of ICS shares to its shareholders and a share capital reduction of ImpediMed Limited.

(b) Financial performance of discontinued operations

The result of the discontinued operations for the half-year December 2006 until disposal is presented below:

	Consolidated 2006 \$
Revenue	-
Amortisation expense	(345)
Profit / loss before tax from discontinued operations	(345)
Income tax	-
Net profit / loss from discontinued operations	(345)

(c) Assets and liabilities and cash flow of discontinued operations

The major classes of assets and liabilities of the discontinued operations are as follows:

<i>Assets</i>	
Financial assets	1,471,413
<i>Liabilities</i>	
	-
Net assets attributable to discontinued operations	1,471,413

The net cash flow of the discontinued operations is as follows:

Operating activities	-
Net cash outflow	-

Consideration received or receivable:

Return of Share capital	1,471,413
less net asset disposal of	(1,471,413)
Gain on disposal before income tax	6,888,516
Income tax	-
Gain on disposal after income tax	6,888,516

Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2007

5 CASH AND CASH EQUIVALENTS

Consolidated

	as at 31 Dec 2007 \$	as at 30 June 2007 \$
Cash at bank and in hand (i)	548,179	1,609,805
Short term deposits	14,471	2,657
Term Deposits (iii)	12,000,000	-
Cash and cash equivalents	12,562,650	1,612,462
Short term deposits - restricted (ii)	43,700	30,700
Restricted cash assets	43,700	30,700
Total cash assets	12,606,350	1,643,162

(i) Cash at bank and in hand does not earn interest.

(ii) The restricted short term deposit is made up of (1) a security deposit for the lease and (2) a deposit for the customer Direct Deposit Facility. The lease deposit is made for a period of six months and respective short term interest rate. The Direct Deposit Facility is made for a period of one year and does not earn interest.

(iii) The Term Deposits are made up of three \$4,000,000 deposits spread among three banks. The Term Deposits earn the respective short term interest rate.

Reconciliation of cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:

Consolidated

	as at 31 Dec 2007 \$	as at 31 Dec 2006 \$
Cash at bank and in hand	548,179	5,642,977
Short term deposits	14,471	2,707
Term deposits	12,000,000	-
	12,562,650	5,645,684

Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2007

6 DIVIDENDS PAID

There were no dividends declared and paid during the half year on ordinary shares.
There were no dividends proposed and not yet recognised as a liability during the half year.

7 COMMITMENTS AND CONTINGENCIES

During the reporting period, the company signed a lease for premises in San Diego, CA for a period of five (5) years and four (4) months commencing 1 April 2008 with a monthly starting commitment of \$19,017. This lease replaces a lease acquired through Xitron that expires at the same time and provides a facility expected to be suitable to support the expansion of ImpediMed's US business over the next 5 years.

8 BUSINESS COMBINATION

On 1 October 2007, ImpediMed Limited acquired 100% of the voting shares of Xitron Technologies, Inc., an unlisted private company based in San Diego, California, USA specialising in (1) the manufacture and sale of medical devices and (2) the manufacture and sale of power and ballast test and measurement devices.

The total cost of the combination was \$1,892,622 and comprised the following:

Purchase consideration:	\$1,092,105
Incidental costs:	\$ 196,066
Retention:	\$ 135,079
Milestone 1 consideration:	\$ 405,058
Working capital adjustment:	\$ 64,314

In addition to the above listed costs of the combination, there are milestone payments due to Xitron upon the successful completion of specified goals.

1) Milestone 1 is linked to a revenue and profit target of Xitron for the financial year 2007 (ending at this reporting period of 31 December 2007) which is considered probable.

2) Milestones 2, 3 and 4, are related to the achievement of revenue targets. These milestones are not considered probable of being achieved.

Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2007

8 BUSINESS COMBINATION (continued)

The fair value of the identifiable assets and liabilities of Xitron Technologies, Inc as at the date of acquisition are:

	Consolidated	
	Recognised on acquisition \$	Carrying Value \$
Cash and cash equivalents	73,920	73,920
Trade and other receivables	169,952	169,952
Inventories	504,425	529,437
Other financial assets	13,141	-
Total Current Assets	761,438	773,309
Plant and equipment	8,893	13,480
Intangible assets	-	176,135
Total Non-Current Assets	8,893	189,615
Trade and other payables	218,725	224,728
Interest-bearing loans	562,829	562,829
Provisions	136,330	1,365
Total Current Liabilities	917,884	788,922
Fair Value of identifiable net assets	(147,553)	174,002

	Consolidated \$
Fair Value of identifiable net assets	(147,553)
Goodwill arising on acquisition	2,040,175
	1,892,622

Cost of the combination:

Shares issued at fair value (2,041,318 shares)	1,092,105
Milestone 1 consideration (757,118 shares)	405,058
Retention	135,079
Incidental costs of acquisition (i)	196,066
Working Capital adjustment (120,212 shares)	64,314
Total cost of the combination	1,892,622

The cash inflow (outflow) on acquisition to date is as follows:

Net cash acquired with the subsidiary	73,920
Cash paid	-
Net cash inflow (outflow)	73,920

Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2007

8 BUSINESS COMBINATION (continued)

The excess of the consideration paid over the net liabilities acquired was attributed to goodwill. This acquisition brings an increased base of operations in San Diego which will significantly enhance the Group's ability to support the US market.

From the date of acquisition, Xitron Technologies, Inc has contributed (\$49,524) to the net loss of the Group. That loss included amortisation of the cost to Xitron of amending its license with Fresenius Medical Corporation to return rights to Xitron's patent for markets outside dialysis, for which the period expense was \$55,895.

If the combination had taken place at the beginning of the half year, the loss for the Group would have been (\$5,622,974) and revenue from continuing operations would have been \$1,537,263.

(i) The incidental costs of acquisition encompass the legal, financial, technical and tax due diligence expenses associated with the acquisition of Xitron. Of the \$196,066 in incidental costs, ImpediMed incurred \$138,270 of those costs during financial year 2007, with them being recognized as deferred expenses in the financial statement at 30 June 2007. The remaining \$57,796 in incidental costs have been incurred during financial year 2008.

9 INVENTORY

Inventory increased during period as a result of the acquisition of Xitron as well the Group increasing the stock of components on hand to reduce lead time to producing finished goods.

10 ISSUED CAPITAL

The movement in issued capital for the period in the table below:

	Number of shares	31 December 2007 \$
Beginning balance 30 June 2007	22,789,361	11,151,629
Conversion of Preference A1 and A2 shares	10,964,511	7,894,450
Issue of shares on redemption of S3 convertible notes	19,915,588	14,339,223
Issue of shares on redemption of IPO Convertible notes	11,400,000	8,208,000
Issue of shares pursuant to public offer	13,600,000	9,792,000
Xitron consideration shares on closing	2,041,318	1,092,106
Xitron consideration working capital adjustment	120,212	64,313
Costs of IPO	-	(2,137,487)
TOTAL	80,830,990	50,404,234

11 EVENTS AFTER THE BALANCE SHEET DATE

At the meeting of the Board of Directors on 29 January 2008, the Board approved a proposed US Equity Incentive Plan to be put to Shareholders for their approval at an extraordinary general meeting scheduled for 9 April 2008.

Notes to the Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2007

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 are in accordance with the *Corporations Act 2001*, including:
 - I. give a true and fair view of the financial position as at 31 December 2007 and the performance for the year end on that date of the consolidated entity; and
 - II. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Mel Bridges
Chairman



Greg Brown
Managing Director

Brisbane, 26 February 2008

To the members of ImpediMed Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of ImpediMed Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of ImpediMed Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

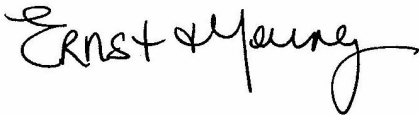
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of ImpediMed Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Winna Brown
Partner
Brisbane
26 February 2008