

# **IMPEDIMED LIMITED**

**ABN 65 089 705 144**

## **Financial Report**

**For the half year ended 31 December 2008**

## Corporate Information

ABN: 65 089 705 144

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This financial report covers the consolidated entity comprising ImpediMed Limited (the "Group") 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 and results of operations in the directors' report. The directors' report is not part of the financial report.

### Directors

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

### Company Secretary

P Auckland

### Registered office

Unit 1, 50 Parker Court  
Pinkenba QLD 4008

### Principal place of business

Unit 1, 50 Parker Court  
Pinkenba QLD 4008

### Share Register

Link Market Services  
Level 22, 300 Queen Street  
Brisbane QLD 4000

ImpediMed Limited shares are listed on the Australian Securities Exchange (ASX).

### Auditors

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

## Directors' Report

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Your directors submit their report for the half year ended 31 December 2008.

### Directors

The names and details of the company's directors in office during the half year and until the date of this report are set out below. 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 Limited, and a non-executive director of Incitive Limited, Benitec Limited, and Genera Biosystems.

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

Greg Brown has over 20 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.

#### **Martin Kriewaldt, BA LIB (Hons) FAICD - Non-executive Director**

Martin Kriewaldt is a former partner of law firm Allen Allen and Hemsley (now Allens Arthur Robinson). Martin chairs the Remuneration Committee and serves on the Audit Committee and Nomination Committee. Martin is a non-executive director of ASX listed, BrisConnections Management Company Limited, Suncorp Metway Limited, Campbell Brothers Limited, Oil Search Limited, and Macarthur Coal Limited.

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

Cherrell Hirst 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 Suncorp Metway Limited, and Peplin Inc. Cherrell is also deputy chair and Acting Chief Executive Officer of Queensland BioCapital Funds.

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

Jim Hazel 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 Limited. Jim is Chairman of Elders Rural Bank Limited, and a non-executive director of ASX listed Becton Property Group Limited and Terramin Australia Limited.

#### **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 venture capital manager with approximately \$400m in funds under management. Michael's experience also includes more than five years with Singapore based venture capital firm Nomura/JAFCO investment (Asia) Limited.

### Company Secretary

#### **Phillip Auckland, B.Bus, FCPA (CFO)**

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

# Directors' Report

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## Review and Results of Operations

### Group Overview

ImpediMed Limited was founded in Australia in 1999, and was listed on the Australian Stock Exchange on 24<sup>th</sup> October 2007.

The ImpediMed Group consists of three entities:

- ImpediMed Limited, the parent company operating in medical markets in regions outside the USA, which was incorporated in 1999 and which listed on the Australian Stock Exchange on 24<sup>th</sup> October 2007.
- ImpediMed Inc, a Delaware corporation operating in medical markets in the USA.
- Xitron Technologies Inc, a California corporation operating in medical and power test and measurement markets globally. Xitron Technologies Inc was acquired by ImpediMed Limited on 1<sup>st</sup> October 2007.

### Results of Operations

Sales of Goods & Services for the reporting period were \$1,316,955 versus the comparative period result of \$893,266.

- The Group is restructuring its distribution arrangements in Europe from having a single distributor trying to manage the whole region, to focussing on key markets using a mix of direct sales and distributors in key markets. Accordingly, upon mutual agreement, the Group terminated its distribution agreement with its former European distributor in the current period. As a result of terminating the agreement, the Group repurchased the inventory held by its former European distributor.
- The Group has moved its focus for the US Lymphoedema market to L-Dex Agreements. Under these three year agreements clinicians pay a monthly or quarterly minimum payment to cover a pre-agreed number of L-Dex readings at a defined per reading cost and are provided with the electrodes to conduct the readings. If the number of readings priced into the minimum payment is exceeded, the clinician orders more electrodes at the agreed price. This business model is expected to create a long term customer relationship and a sustainable business, under which customers would be expected to roll over into a new agreement, with the latest technology device at the end of their three year term.

EBITDA for the reporting period was (\$7,416,604), versus the comparative period result of (\$3,715,097).

- During the reporting period the Group invested in launching its direct to market strategy in the US, and recruiting a direct to market sales team brought an increase in US based overheads, which in time should make a positive contribution to cash flow.
- Salaries and benefits were \$2,872,322, versus the comparative period cost of \$1,978,887.
- Advertising and Promotion was \$343,008, versus the comparative period cost of \$144,020.
- During the period the Group invested in the development of its next generation UB500 device. The investment in external project costs in the period was \$2,325,280 versus the comparative period cost of \$637,353. This device is an important part of building a product pipeline that will expand the Group's market to pelvic region cancer related Lymphoedema. The prototype development is complete. External project expenses are projected to drop away for the next six months while internal testing and validation is conducted.
- The result for the period was negatively impacted by the deteriorating exchange rate given that the Group's US business is still in development and is a net user of US dollars. The Group has sought to reduce its exposure to further deterioration in the exchange rate with the US dollar by converting a large part of its funds to US dollars.

The Net Loss for the period was (\$7,750,091), versus the comparative period result of (\$5,552,155).

- The comparative period result contained an interest expense generated by converting notes and preference shares relating to conversion discounts on these investment instruments which converted upon its IPO in October 2007. Since listing the company has only issued ordinary shares and there has been no equivalent expense in the reporting period.

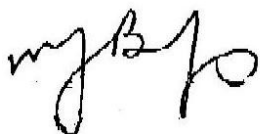
## Directors' Report

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### Auditor Independence Declaration

The directors append to the directors' report the following declaration from our auditors, Ernst & Young.

Signed in accordance with a resolution of the directors.



Mel Bridges  
Chairman

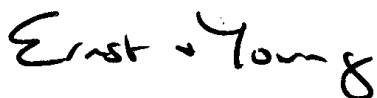


Greg Brown  
CEO & Director

Brisbane  
24 February 2009

## 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 2008, 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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Phelps'.

Mark Phelps  
Partner  
24 February 2009

# Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Notes	Consolidated	
		2008	2007
		\$	\$
<b>Continuing operations</b>			
Sale of goods		1,263,186	839,269
Rendering of services		53,769	53,997
Finance income		250,594	272,349
Revenue	3a	<b>1,567,549</b>	<b>1,165,615</b>
Income from grants and other operating income	3b	329,200	325,722
Cost of goods sold		(470,871)	(319,358)
Interest expense - converting notes and preference shares	3c	-	(1,681,893)
Other finance costs	3d	(4,802)	(13,088)
Depreciation and amortisation	3e	(328,685)	(142,077)
Salaries and benefits	3f	(2,872,322)	(1,978,887)
Advertising and promotion		(343,008)	(144,020)
Consultants fees	3h	(767,787)	(474,329)
Rent and property expenses	3g	(250,125)	(121,016)
Research and development		(2,325,280)	(637,353)
Travel expenses		(498,675)	(383,449)
Other expenses	3i	(1,785,285)	(1,148,022)
<b>Profit / (loss) from continuing operations before income tax</b>		<b>(7,750,091)</b>	<b>(5,552,155)</b>
Income tax		-	-
<b>Profit / (loss) from continuing operations after income tax</b>		<b>(7,750,091)</b>	<b>(5,552,155)</b>
<b>Net profit / (loss) for the period</b>		<b>(7,750,091)</b>	<b>(5,552,155)</b>

## Earnings Per Share – Basic and Diluted

	2008	2007
	\$	\$
<b>Loss per share for profit attributable to the ordinary equity holders</b>		
Basic and diluted loss per share	(0.09)	(0.12)

# Balance Sheet

AS AT 31 DECEMBER 2008

	Notes	Consolidated as at 31 Dec 2008 \$	Consolidated as at 30 June 2008 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	4,584,886	8,454,469
Restricted cash assets	4	139,871	30,700
Trade and other receivables		979,940	865,787
Inventories		1,686,463	1,236,991
Prepayments		294,243	163,299
<b>Total Current Assets</b>		<b>7,685,403</b>	<b>10,751,246</b>
<b>Non-current Assets</b>			
Other financial assets		32,154	41,597
Property, plant and equipment	7	725,165	395,972
Intangible assets	8	2,135,513	1,286,046
Goodwill		2,040,175	2,040,175
<b>Total Non-current Assets</b>		<b>4,933,007</b>	<b>3,763,790</b>
<b>TOTAL ASSETS</b>		<b>12,618,410</b>	<b>14,515,036</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		1,229,825	1,313,413
Interest-bearing loans		18,181	64,024
Provisions		903,059	491,577
<b>Total Current Liabilities</b>		<b>2,151,065</b>	<b>1,869,014</b>
<b>Non-current Liabilities</b>			
Provisions		466,736	345,653
<b>Total Non-current Liabilities</b>		<b>466,736</b>	<b>345,653</b>
<b>TOTAL LIABILITIES</b>		<b>2,617,801</b>	<b>2,214,667</b>
<b>NET ASSETS</b>		<b>10,000,609</b>	<b>12,300,369</b>
<b>EQUITY</b>			
<b>Equity Attributable to Equity Holders of the Parent</b>			
Issued capital	9	54,949,342	50,809,291
Reserves		2,682,213	1,371,933
Accumulated losses		(47,630,946)	(39,880,855)
<b>TOTAL EQUITY</b>		<b>10,000,609</b>	<b>12,300,369</b>



# Cash Flow Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Notes	Consolidated	
		2008	2007
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,678,269	741,839
Receipts from grants		334,605	647,981
Payments to suppliers and employees		(9,604,424)	(5,938,822)
Interest received		310,643	202,606
Interest paid		(1,810)	(13,088)
<b>Net cash flows used in operating activities</b>		<b>(7,282,717)</b>	<b>(4,359,484)</b>
<b>Cash flows from investing activities</b>			
Cash inflow (outflow) from acquisitions		-	73,920
Purchase of plant and equipment		(198,612)	(56,321)
Purchase of intangibles		(625,101)	(1,144,024)
<b>Net cash flows from investing activities</b>		<b>(823,713)</b>	<b>(1,126,425)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of IPO - Public Offer		-	9,792,000
Proceeds from issue of IPO - Redemption Issue		-	8,208,000
Proceeds from issue of ordinary shares		4,200,001	-
Transaction costs from capital raise		(59,950)	(991,016)
Repayment of borrowings		(48,834)	(602,998)
Other costs from financing activities		-	(589)
<b>Net cash flows from financing activities</b>		<b>4,091,217</b>	<b>16,405,397</b>
<b>Net increase / (decrease) in cash held</b>		<b>(4,015,213)</b>	<b>10,919,488</b>
Net foreign exchange differences		145,630	-
Cash at beginning of period		8,454,469	1,643,162
<b>Cash at close of period</b>	4	<b>4,584,886</b>	<b>12,562,650</b>

## Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Issued Capital \$	Reserves \$	Shares to be Issued \$	Retained Earnings \$	Total \$
<b>At 1 July 2007</b>	<b>11,151,629</b>	<b>1,186,782</b>	<b>-</b>	<b>(30,126,727)</b>	<b>(17,788,316)</b>
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)
<b>At 31 December 2007</b>	<b>50,404,234</b>	<b>1,470,551</b>	<b>405,058</b>	<b>(35,678,882)</b>	<b>16,600,961</b>
<b>At 1 July 2008</b>	<b>50,809,291</b>	<b>1,371,933</b>	<b>-</b>	<b>(39,880,855)</b>	<b>12,300,369</b>
Foreign currency translation	-	834,001	-	-	834,001
Total income recognised in equity	-	834,001	-	-	834,001
Profit / (loss) for the period	-	-	-	(7,750,091)	(7,750,091)
Total income and expense for the period	-	834,001	-	(7,750,091)	(6,916,090)
Share-based payment	-	476,279	-	-	476,279
Allotment of ordinary shares	4,200,001	-	-	-	4,200,001
Costs of capital raising	(59,950)	-	-	-	(59,950)
<b>At 31 December 2008</b>	<b>54,949,342</b>	<b>2,682,213</b>	<b>-</b>	<b>(47,630,946)</b>	<b>10,000,609</b>

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

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# Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

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## 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

### Basis of preparation

This general purpose condensed financial report for the half year ended 31 December 2008 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 2008 and considered together with any public announcements made by the Group during the half year ended 31 December 2008 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.

### Going Concern

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

The Group has incurred an operating loss after income tax of \$7.75 million for the six month period ended 31 December 2008 (31 December 2007: \$5.55 million). The ability of the company to continue as a going concern is dependent on ongoing capital raising support from its shareholders and potential investors. Cash flow forecasts indicate a further capital raising within the next twelve month period may be required.

The directors believe the company can raise the necessary capital, and on that basis believe that the Group continues to be a going concern and that it will be able to pay its debts as and when they fall due for a period of 12 months from the date of signing this report due to the following:

- (i) As at 31 December 2008 the Group had net assets of \$10 million. At the same date, the market capitalisation of ImpediMed Limited was in excess of \$65 million and as at 31 December 2008, assets of the Group exceeded liabilities by a ratio of 4.82 : 1.
- (ii) The Group had cash at its disposal of \$4.58 million at 31 December 2008 and had no substantive borrowings from banks or other financial institutions at 31 December 2008.
- (iii) On 30 January 2009, the Group announced the successful placement to an institutional investor in Australia raising \$2 million before costs.
- (iv) The company has the ability to vary certain expenditure dependent on its capital raising support.

### Changes in Accounting Policy

Since 1 July 2008 there were no new accounting Standards or Interpretations which had an impact on the financial position or performance of the Group.

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

### 2 SEGMENT INFORMATION

The Group's primary segment reporting format is business segments as the Group's risks and returns are affected predominantly by differences in the products and services produced.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with the main strategic business segment being the Medical field.

The Medical segment is a supplier of non-invasive medical devices to two under-served markets: (1) the assessment of individuals at risk of secondary lymphoedema and (2) the monitoring of body composition and hydration.

The Test & Measurement segment is a supplier of power precision testing and measuring equipment.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result includes transfers between business segments. Those transfers are eliminated on consolidation.

<b>(a) Segment revenues</b>	<b>Medical 2008 \$</b>	<b>Test &amp; Measurement 2008 \$</b>	<b>Total 2008 \$</b>
Device Sales to external customers	555,561	500,821	1,056,382
Impact Leases to external customers	69,370	2,910	72,280
Consumable Sales to external customers	67,812	66,712	134,524
Other revenue	12,293	41,476	53,769
Inter-segment Device Sales	107,990	-	107,990
Other Inter-segment Sales	54,844	-	54,844
<b>Total Segment Revenue</b>	<b>867,870</b>	<b>611,919</b>	<b>1,479,789</b>
Inter-segment elimination			(162,834)
Unallocated revenue (finance income)			250,594
<b>Consolidated Revenue</b>			<b>1,567,549</b>

### **(b) Segment result**

Segment results	(11,338,383)	(35,551)	(11,373,934)
Depreciation and amortisation expenses	(320,085)	(8,600)	(328,685)
<b>Profit / (loss) before tax and finance costs</b>			<b>(11,702,619)</b>
Finance costs			(4,802)
Eliminations			3,957,330
<b>Profit / (loss) before income tax</b>			<b>(7,750,091)</b>
Income tax expense			-
<b>Net profit / (loss) for the year</b>			<b>(7,750,091)</b>

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

### 2 SEGMENT INFORMATION (continued)

(a) Segment revenues	Medical	Test & Measurement	Total
	2007	2007	2007
	\$	\$	\$
Device Sales to external customers	380,644	392,258	772,902
Impact Leases to external customers	25,379	-	25,379
Consumable Sales to external customers	27,453	13,535	40,988
Other revenue	8,913	45,084	53,997
Inter-segment Device Sales	11,831	-	11,831
Other Inter-segment Sales	23,521	-	23,521
Total Segment Revenue	477,741	450,877	<b>928,618</b>
Inter-segment elimination			(35,352)
Unallocated revenue (finance income)			272,349
Consolidated Revenue			<b>1,165,615</b>

### (b) Segment result

Segment results	(6,399,776)	(48,924)	(6,448,700)
Depreciation and amortisation expenses	(140,697)	(1,380)	(142,077)
Profit / (loss) before tax and finance costs			<b>(6,590,777)</b>
Finance costs			(1,694,981)
Eliminations			2,733,603
Profit / (loss) before income tax			<b>(5,552,155)</b>
Income tax expense			-
Net profit / (loss) for the year			<b>(5,552,155)</b>

### 3 REVENUE, INCOME AND EXPENSES

	Consolidated	
	2008	2007
	\$	\$
(a) Revenue		
Sale of goods	1,263,186	839,269
Rendering of services	53,769	53,997
Finance income	250,594	272,349
	<b>1,567,549</b>	<b>1,165,615</b>
Breakdown of finance income		
Bank interest - Bank Deposits	23,598	175,049
Bank interest - Term Deposits	228,318	91,895
Investment income receivable	(1,335)	5,405
Other	13	-
	<b>250,594</b>	<b>272,349</b>

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

### 3 REVENUE, INCOME AND EXPENSES (continued)

	Consolidated	
	2008	2007
	\$	\$
(b) Income from grants and other operating income		
Commercial Ready Grants (i)	274,808	304,850
Cost recoupment from ICS (ii)	18,150	33,989
Other	36,242	(13,117)
	<b>329,200</b>	<b>325,722</b>
(c) Interest expense - converting notes and preference shares		
Expense for discount on series 3 notes	-	447,924
Expense for Pref A1 Bonus Shares	-	682,320
Expense for Pref A2 Bonus Shares	-	503,969
Amortisation of capital raising cost for notes	-	47,680
	-	<b>1,681,893</b>
(d) Other finance costs		
Bank loans and overdrafts	-	5,014
Other loans	2,992	7,774
Interest expense on leasehold improvement	685	300
Other	1,125	-
	<b>4,802</b>	<b>13,088</b>
(e) Depreciation and amortisation		
Depreciation of plant and equipment	80,561	38,582
Depreciation of Impact Devices	9,565	3,478
Amortisation of leasehold improvements	13,130	1,014
Amortisation of intangibles	225,429	99,003
	<b>328,685</b>	<b>142,077</b>
(f) Salaries and benefits		
Wages and salaries	2,354,645	1,646,647
Superannuation costs	90,961	106,419
Long service leave provision	13,149	6,294
Expense of share-based payments	413,567	219,527
	<b>2,872,322</b>	<b>1,978,887</b>
(g) Rent and property expenses		
Minimum lease payments - operating lease	219,825	105,947
Other premises expenses	30,300	15,069
	<b>250,125</b>	<b>121,016</b>
(h) Consultancy Fees		
Consultancy expenses	697,983	458,817
Expenses for share based payments to consultants	69,804	15,512
	<b>767,787</b>	<b>474,329</b>

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

### 3 REVENUE, INCOME AND EXPENSES (continued)

	Consolidated	
	2008	2007
	\$	\$
(i) Other expenses		
Trademark and patent expense	132,312	163,124
Communication expense	120,156	64,936
Legal expense	141,896	60,041
Bad and doubtful debts (iii)	35,777	294,049
Directors fees	169,756	161,998
Audit fees	156,734	28,151
IT maintenance and hosting fees	101,085	7,525
Insurance expense	70,764	75,314
Net foreign exchange losses	133,587	3,209
Other expenses	723,218	289,675
	<b>1,785,285</b>	<b>1,148,022</b>

(i) Government grants received during the year pertain to AusIndustry's Commercial Ready Grant program for the development of second generation medical devices.

(ii) The Group charges ICS for R&D services provided to ICS (ICS is the Group's former cardiology division that was demerged in October 2006).

(iii) As a result of terminating the distributor agreement with the Group's former European distributor, the Group repurchased inventory that it had previously been sold. The bad and doubtful expense for the period represents the additional charge to reverse the previously recognised receivable of \$321,792 against the provision for doubtful debts.

### 4 CASH AND CASH EQUIVALENTS

	Consolidated as at 31 Dec 2008	Consolidated as at 30 June 2008
	\$	\$
Cash at bank and in hand (i) (iii)	4,584,886	413,899
Short term deposits (iii)	-	8,040,570
<b>Cash and cash equivalents</b>	<b>4,584,886</b>	<b>8,454,469</b>
Short term deposits - restricted (ii)	139,871	30,700
<b>Restricted cash assets</b>	<b>139,871</b>	<b>30,700</b>
<b>Total cash assets</b>	<b>4,724,757</b>	<b>8,485,169</b>

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

(ii) The restricted short term deposits relate to security deposits on the offices leases for both the Australian and US offices.

(iii) The Group moved funds from short term deposits to US dollar denominated cash during the current reporting period to protect it against further deterioration in the exchange rate with the US.



## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

### 4 CASH AND CASH EQUIVALENTS (continued)

#### Reconciliation of cash

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

	Consolidated as at 31 Dec 2008	Consolidated as at 31 Dec 2007
	\$	\$
Cash at bank and in hand	4,584,886	548,179
Short term deposits	-	14,471
Term deposits	-	12,000,000
	<b>4,584,886</b>	<b>12,562,650</b>

### 5 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.

### 6 COMMITMENTS AND CONTINGENCIES

The only changes to the commitments and contingencies disclosed in the most recent annual financial report are specified below.

#### Operating Lease Commitments

During the reporting period the Group signed a lease agreement with respect to new premises at Pinkenba in Brisbane, which from 1<sup>st</sup> August 2008 became the company's registered office and principal place of business in Australia. The agreement is for a 3 year term, with 2 x 3 year options and commences at rent of \$56,000 per annum.

#### Expenditure Commitments

During the period, the Group entered into an agreement with a US based capital markets advisor. In consideration of the services provided by them the Group has agreed to pay them retainer fees totalling \$US 40,000 of which \$US 30,000 is still to be paid. In addition to the retainer, an advisory fee will be paid on a successful closing of either a Capital Transaction or a Strategic Transaction. This advisory fee has a value of up to \$US 150,000 being comprised of \$US 75,000 in ImpediMed Limited restricted stock and \$US 75,000 in cash.

The Group has a contract with the Patient Advocate Foundation to sponsor a Lymphedema Careline Hotline. \$US 50,000 was paid in November 2008 upon signing and a further \$US 50,000 is due on 15 April 2009.

The Group has a contract with the Patient Advocate Foundation as a policy consortium member. \$US 32,500 was paid in November 2008 upon signing and a further \$US 32,500 is due on 15 April 2009.

#### Contingencies

The Group has no contingent liabilities at 31 December 2008.

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

### 7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment increased by \$432,449 during the period, the majority which was the result of the Group placing a number of devices under L-Dex agreements in the US market. At the point in which a device is placed in the market under a L-Dex agreement the device is moved out of inventory and into property, plant and equipment.

### 8 INTANGIBLE ASSETS

Intangible assets increased during the period as a result of the Group capitalising costs in relation to the implementation of new computer software.

### 9 ISSUED CAPITAL

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

	Number of shares	31 Dec 2008 (\$)
Beginning balance 30 June 2008	81,718,857	50,809,291
Issue of ordinary shares	5,600,001	4,200,001
Costs of capital raising	-	(59,950)
	<u>87,318,858</u>	<u>54,949,342</u>

### 10 EVENTS AFTER THE BALANCE SHEET DATE

On 30<sup>th</sup> January 2009 the company completed a placement of 2,857,143 ordinary shares at a share price of 70 cents raising \$2,000,000.

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

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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. giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half year ended 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  
CEO & Director

Brisbane, 24 February 2009

## Independent Review Report

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 2008, 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 Interim and Other Financial Reports 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 2008 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*. 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.

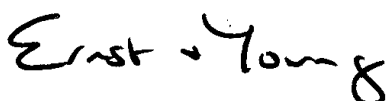
### Conclusion

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 2008 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*.

### Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred net losses of \$7,750,091 during the half-year ended 31 December 2008 and experienced net cash outflows from operating activities of \$7,282,717. As described in Note 1 the consolidated entity is currently seeking funding to allow it to continue its operations, meet its obligations and realise its assets. As a result of these matters, along with other matters as set forth in Note 1, there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Phelps'.

Mark Phelps  
Partner  
Brisbane  
24 February 2009