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Interim Financial Report

For the Half-Year Ended **31 December 2022**

Platform Technology.
Transforming Care.

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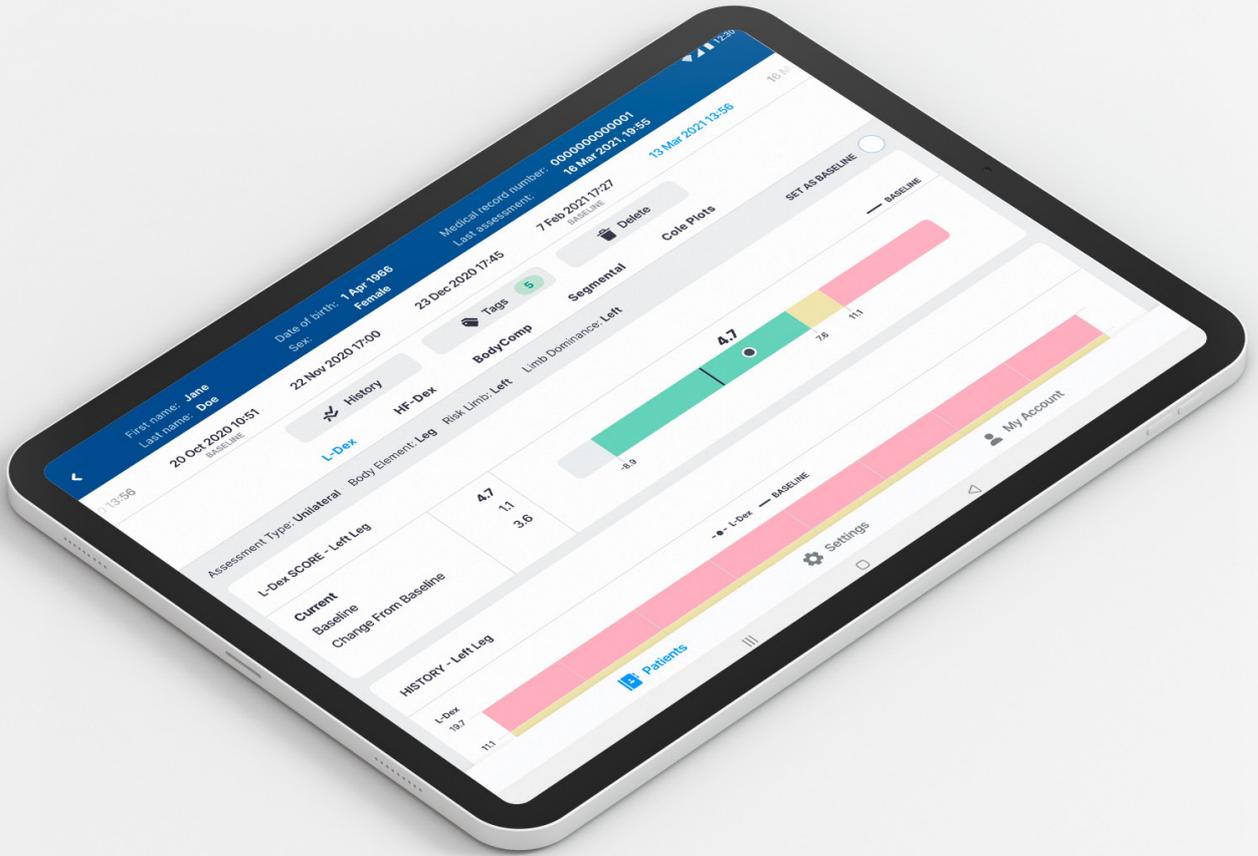
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Corporate Information

CHAPTER 1

Platform Technology.
Transforming Care.

Corporate Information

This financial report covers the consolidated entity comprising ImpediMed Limited ("ImpediMed", 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 period amounts have been reclassified for consistency with the current period 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

D Williams, Chairman

R Graham

A Patel

J West, AM (appointed Aug 2022)

J Downes (resigned Oct 2022)

Executive Director

D Anderson (appointed July 2022, previously a Non-Executive Director)

Managing Directors

R Valencia, Managing Director and CEO (appointed Dec 2022)

R Carreon (departed July 2022)

Company Secretary

L Ralph

Locations

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".

Websites

www.impedimed.com
www.preventlymphedema.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

Aon – Rewards Solution
425 Market Street, Suite 2800
San Francisco CA 92105 US

Your Directors submit their report together with the consolidated interim financial report for ImpediMed Limited for the half-year ended 31 December 2022.

Directors

The names and details of the Parent's Directors (the "Board") in office during the half-year and until the date of this report are outlined below. Directors were in office for this entire period unless otherwise stated. Please refer to the 2022 Annual Report or ImpediMed's website for full bios on the Directors.



Donald Williams
BAcy, CPA
Non-Executive Chairman



Robert Graham
AO, FAA, FAHMS, MBBS, MD,
FRACP, FACP, FAHA, GAICD
Non-Executive Director



Amit Patel
MBA, BME
Non-Executive Director,
Chair, Remuneration
Committee



Jan West
AM, BCom, FCA, FAICD
Non-Executive Director,
Chair, Audit and Risk Management
Committee



David Anderson
BSc
Executive Director

MANAGING DIRECTOR



Rick Valencia
Managing Director and Chief Executive Officer

Chief Executive Officer: Initial Observations



Rick Valencia

Managing Director and Chief Executive Officer

"In my first 75 days at ImpediMed, I've witnessed that we have a solution our customers and patients love, technology that is extensible into many medical conditions, and an opportunity to create an exceptional amount of value in the years ahead."

Rick's Background

- 30+ years of leadership in the healthcare and technology industry sectors
- Focused on building cohesive, highly functioning management teams
- Prior experience:
 - Interim Chairman & CEO of WaveForm Diabetes
 - Board member at Tandem Diabetes Care (Nasdaq:TNDM)
 - Senior Vice President at Qualcomm Incorporated (Nasdaq:QCOM)
 - President of Qualcomm Life

Observations

As I write this note, I've been on the job about two and a half months, and I'm very encouraged by the prospects of the company. I've conducted multiple, in-person meetings with customers, key opinion leaders, and business development partners. I've created a new Executive Team and Leadership Team focused on commercial results. We held a reimbursement summit in New York, with the support of our executive director and former interim CEO Dave Anderson to refine our reimbursement roadmap and it's already yielding results. We recently learned that our SOZO solution will soon be covered by a major health plan in one of our key states, representing almost a million medical lives of coverage. While two health plans in other states are already providing payment, this positive medical policy change driven by our internal efforts is a first for the company.

We have an exceptional team with deep domain expertise. We have a solution in SOZO that our customers love because of the benefit it provides their patients. We have a customer list of world class Integrated Delivery Networks and National Comprehensive Cancer Network cancer centers, and we have positive momentum building from our reimbursement efforts. I am confident we will build a solid foundation in breast cancer related lymphedema to get the business on sound financial footing, which will free us up to invest in significantly bigger market opportunities in oncology, heart failure, renal failure, and more.

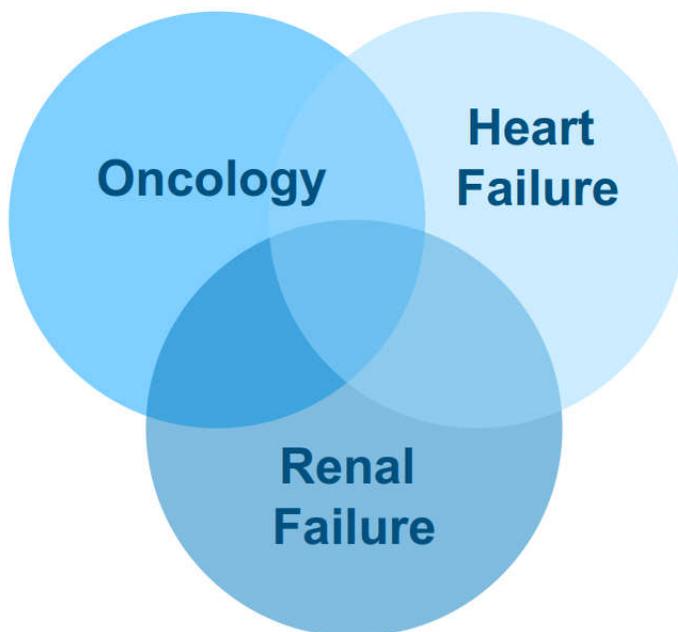
Principal Activities

ImpediMed is a medical software technology company that non-invasively measures, monitors and manages fluid status and tissue composition using bioimpedance spectroscopy (BIS).

The principal activities of the Group during the period were the development, manufacture and sale of BIS systems and software services with a focus on the early detection of lymphoedema and heart failure.

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

The Group is initially focused on three large and growing markets: Oncology, Heart Failure, and Renal Failure. These markets overlap significantly and represent an annual addressable market of over \$2.0 billion.



*In Renal Failure, the terms Protein Calorie Malnutrition (PCM) and Protein Energy Wasting are often used interchangeably. ImpediMed most commonly refers to this disease state as PCM.

Focus Areas for Remainder of FY23

Oncology

The remainder of the financial year the Group will tighten its focus on Private Payor reimbursement, expanding the sales platform in advance of reimbursement, and completing SOZO II hardware development and submitting for FDA clearance.

Heart Failure and Renal Failure

Heart Failure and Renal Failure continue to be seen as the long-term future of the business, but these won't be the focus for the remainder of FY23. This doesn't mean that activity will completely cease.

In Heart failure, the Group expects to complete and lodge the FDA submission for the removal of the contraindications for implantable pacing and cardio defibrillator devices following FDA clearance for SOZO II.

In Renal Failure, once validation and verification testing has been completed for SOZO II, the Group's R&D team will complete the Renal data review from the observational trial. The Group will then sit down with the principal investigators to discuss next steps.

Group Overview

ImpediMed Limited was founded in Brisbane, Australia in September 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 operating in medical markets in North America.

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

ImpediMed TM Incorporated (formerly XiTRON Technologies, Incorporated), a discontinued California corporation formerly operating in power test and measurement markets globally.

Key Corporate Data

| | |
|---|---|
| Share price [^] | \$0.058 |
| Shares on issue [^] | 1,785 million |
| Market Capitalisation [^] | \$104 million |
| Cash (31 December 2022) | \$26.2 million |
| Share Register Breakdown (31 December 2022) | Institutional 47% Private 50% Board/Employee 3% |

[^]Data as of 22 February 2023

For more information, visit:
<https://www.impedimed.com/>.

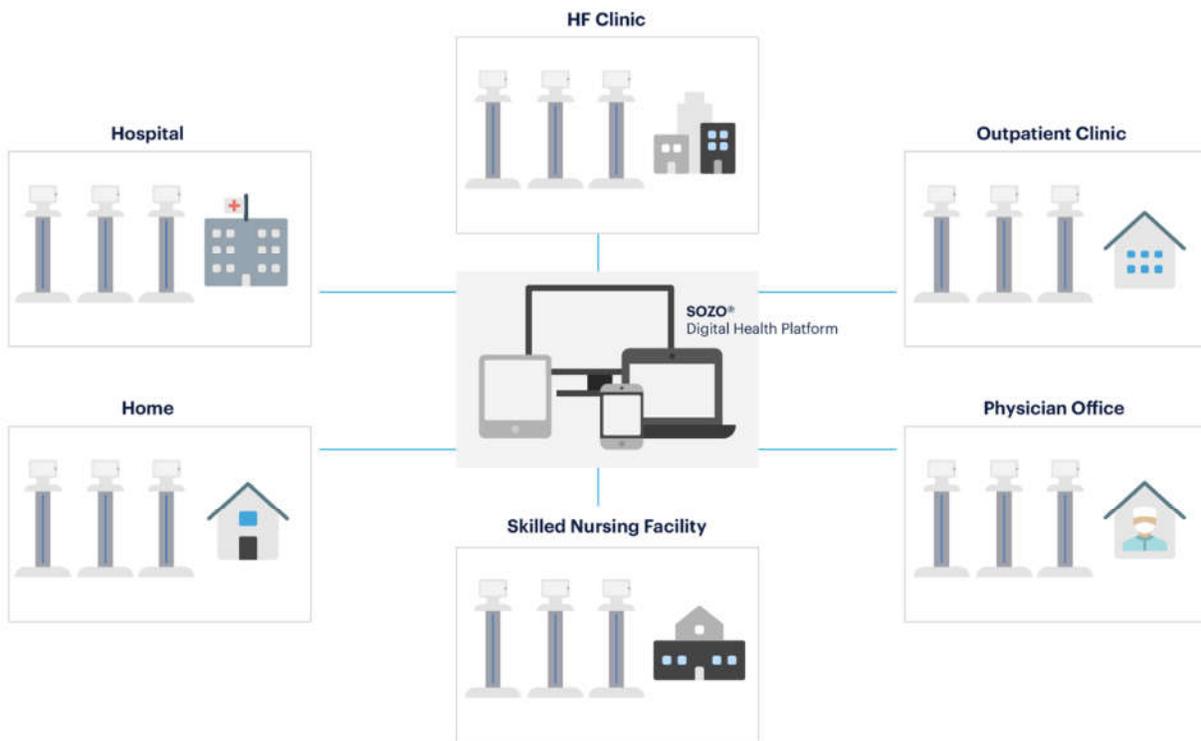


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Connected Digital Health Platform

SOZO, the world's most advanced, noninvasive bioimpedance spectroscopy (BIS) system, delivers a precise snapshot of fluid status and tissue composition in less than 30 seconds. Results are available immediately online for easy data access and sharing across an entire healthcare system. The FDA-cleared, CE-marked and ARTG-listed digital health platform aids in the early detection of secondary lymphoedema, provides fluid status for patients living with heart failure, and can be used to monitor and maintain overall health – all on a single system.

- Access** Test patients at any location and immediately review results online.
- Trends** Track trends in patient data for actionable results.
- Scalable** Add and move test locations without any additional software setup.
- Secure** Control who accesses the HITRUST certified SOZO network and establish unique security settings.



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Recent Announcements

For the half-year ended 31 December 2022 and through the date of this report, the Group made a number of announcements related to commercial progress across the Group's strategic focus areas.



October 2022

New Corporate Oncology account with GenesisCare

The Group announced the signing of a Global Strategic Commercial Partnership and pilot program with GenesisCare. The pilot program consists of an initial roll out of five (5) SOZO systems to establish lymphoedema screening services for breast cancer patients in centres across the United States. Upon successful completion of the pilot program, GenesisCare will evaluate a staged expansion to additional sites in the United States and globally.



November 2022

AstraZeneca Further Extends Clinical Trial Contract

The Group announced the details of the third contract extension related to the use of the SOZO Digital Health Platform in a clinical trial being conducted for AstraZeneca. The Phase IIb trial is using the SOZO to track patient fluid volume in a pharmaceutical study focused on chronic kidney disease. The trial has been extended from 21 months to 29 months, with 210 SOZO systems being utilised in the extension. In total, the contracts will generate over \$6.7 million in revenue across the trials.



January 2023

NCCN Guidelines®

The Group announced that the National Comprehensive Cancer Network® (NCCN) released a new version of the NCCN Clinical Proactive Guidelines in Oncology (NCCN Guidelines®) for Breast Cancer on 27 January 2023. The section on lymphoedema remained unchanged, but, importantly, the references linking the Breast Cancer guidelines directly to the Survivorship guidelines remain. The Group is currently awaiting outcomes from the NCCN Survivorship Panel.

As noted previously, a second independent submission was also made to the NCCN Survivorship Panel. The NCCN Survivorship Panel met in October 2022 to review all submissions and vote on updates to the guidelines. The Survivorship Panel has more expertise with a specific lymphoedema sub-panel within Survivorship. The Survivorship Panel includes a lymphoedema subpanel, so there will be a clear understanding of lymphoedema and the unique solution bioimpedance spectroscopy (BIS) offers cancer survivors.

A new version of the NCCN Guidelines for Survivorship is still pending. Based on the timing of recent releases, the Survivorship guidelines would likely be published before ImpediMed's Q3 2023 results are released in April 2023.

Strong Adoption, Validated Technology

940+

SOZO Systems in
Core Business

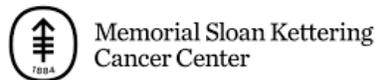
410+

SOZO Systems
used in recent AZ
clinical trials



 National Comprehensive
Cancer Network® **20+**

AstraZeneca 
2 international drug studies involving 410+ sites
in 28 countries evaluating fluid volumes
(heart failure & renal failure patients)



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Technology Adoption

SOZO Patient Tests

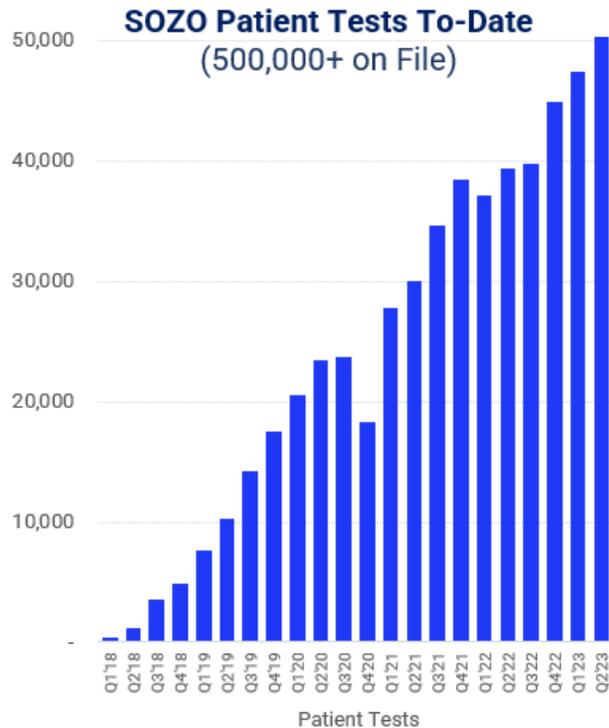
In November 2022, ImpediMed reached a milestone of 500,000 patient tests performed with the SOZO Digital Health Platform. In the first six months of FY'23 alone, over 97,000 patient tests have been conducted, a 37% increase year over year.

To date, our growing patient database now has more than 1.6 billion individual data points that have allowed us to:

- Increase the accuracy of SOZO
- Automate key protocols
- Improve our current algorithms
- Create new algorithms
- Provide real-world data to the FDA for regulatory clearances

Product improvements, new clinical evidence, and comprehensive programs, such as the Lymphoedema Prevention Program, have all contributed to increased utilisation of SOZO by clinicians for the benefit of patients.

ImpediMed's utilisation of this unique data set is only in its infancy, but the potential of the SOZO Digital Health Platform was recently demonstrated when Cleveland Clinic used historic data to produce two papers on the effectiveness of BIS in assessing sarcopenia. The data set will continue to get richer and more valuable as further applications are added, providing new insights into the course and care of a large number of chronic disease states.



Operating and Financial Review

Operating Results for the Half-Year

Revenue

Total Revenue for the six-month period ended 31 December 2022 was \$5.7 million, an increase of 10% from the previous corresponding period (31 December 2021: \$5.2 million). The increase in revenue was attributable to the SOZO product line and the continued strength of the Group's Software-as-a-Service (SaaS) business model.

SOZO Revenue for the current period was \$5.3 million (31 December 2021: \$4.9 million), an increase of 8% over the previous corresponding period. Of the SOZO revenue, \$4.7 million related to SaaS revenue (31 December 2021: \$4.2 million), a 10% increase over the previous corresponding period. SOZO Revenue is split between the Core Business, commercialisation efforts from the Group's core strategic focus areas with contracts that are ongoing in nature, and the Clinical Business, revenue generating contracts related to clinical trials that are finite in nature as they relate to clinical trials with specific end dates.

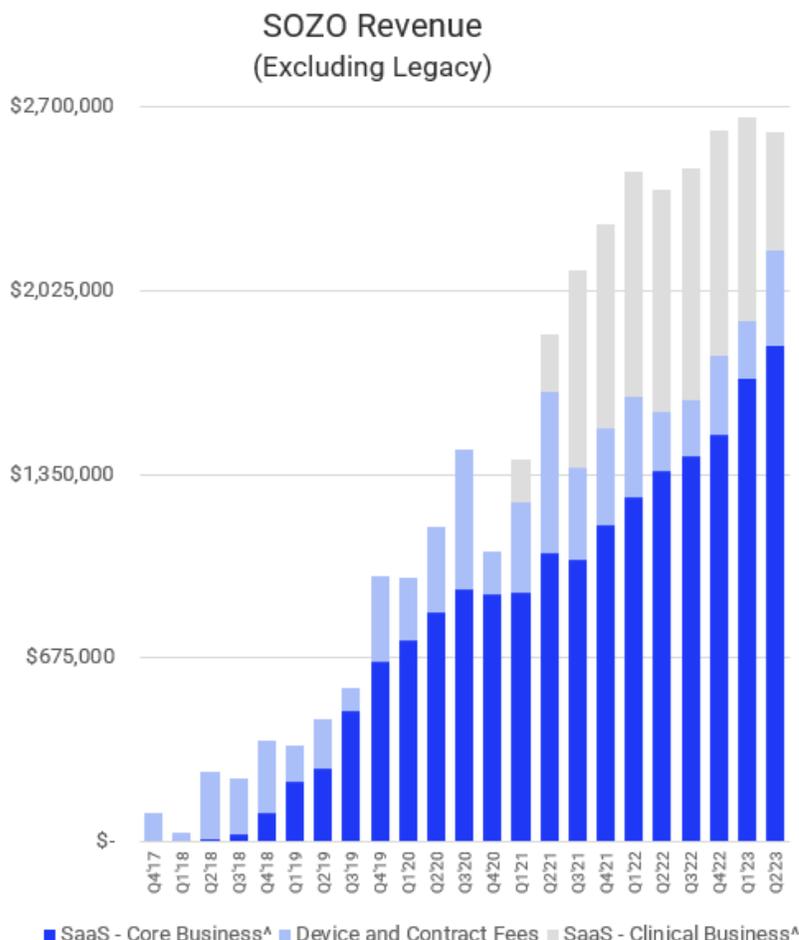
CORE BUSINESS

Device (SOZO System) and Contract Fees: This refers to revenue recognised at the commencement of a contract. As of 31 December 2022, there were more than 940 SOZO units in the market (31 December 2021: 830 SOZO units), representing a 13% increase in the number of units sold, compared to the previous corresponding period. To date, the majority of system sales are in the Oncology market. With the addition of new SOZO contracts during the period, the Group now has 20 of the 32 NCCN Member Institutions utilising SOZO.

Software-as-a-Service (SaaS): This refers to recurring SOZO subscription revenue. SaaS revenue generated by the Core Business was \$3.5 million (31 December 2021: \$2.6 million), which increased 35% over the prior period.

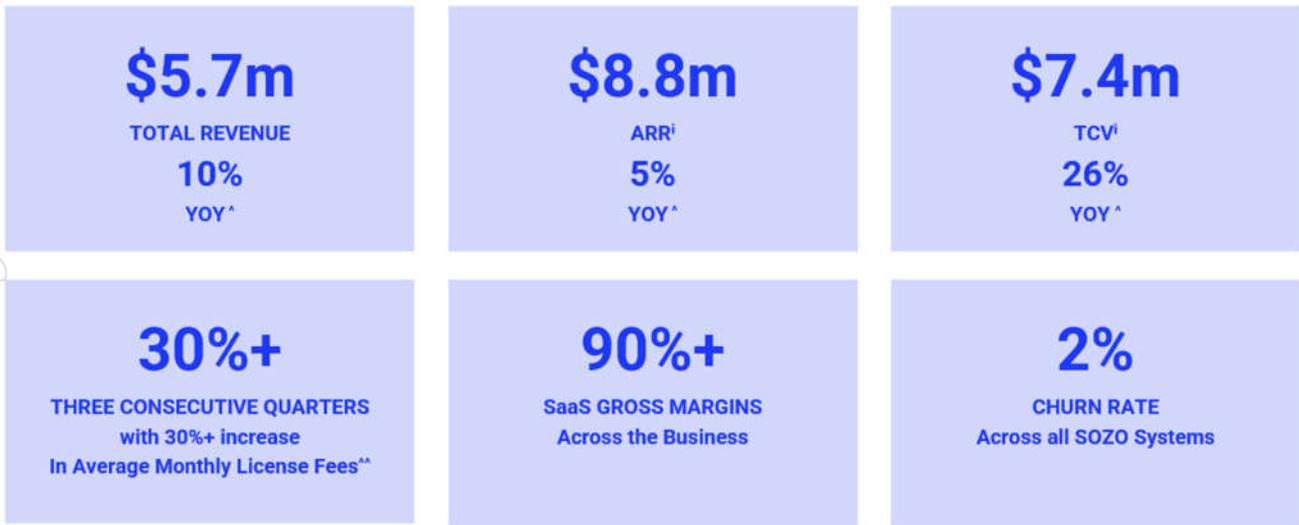
CLINICAL BUSINESS

Software-as-a-Service (SaaS): SaaS revenue generated by the Clinical Business was \$1.2 million (31 December 2021: \$1.6 million), which decreased 25% over the prior period. The decrease in revenue related to AstraZeneca leasing fewer systems as their studies near completion in the coming quarters.



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[^] YOY denotes Year-over-Year change in metric.

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

^{^^} Based on US SOZO Contracts renewed during the time period.

The values shown for total ARR and CRP across all lines of business, including the Core Business and Clinical Business.

Refer to page 17 for a Glossary of Terms used by ImpediMed.

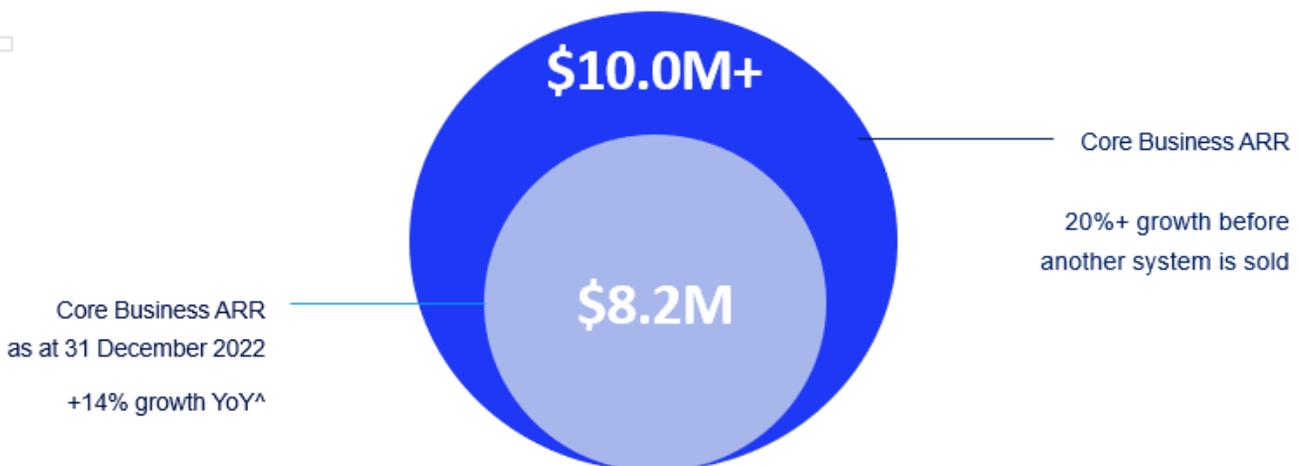
SaaS Financial Metrics

In addition to revenue recognised during the current period, Annual Recurring Revenue (ARR) at 31 December 2022 totaled \$8.8 million (31 December 2021: \$8.4 million), an increase of 5% over the previous corresponding period. Of the \$8.8 million, \$8.2 million relates to Core Business (31 December 2021: \$6.7 million). The Group has now sold more than 940 units globally since the launch of SOZO.

The Group continues to see a consistent pattern of higher monthly license fees on both new and renewal contracts. For three (3) consecutive quarters, the Group has achieved a 30%+ increase in the average monthly license fees across US renewal contracts. The Group is achieving these results because of:

- (1) the continued software enhancements offered to our customers,
- (2) the ability to add licenses to contracts, and
- (3) a stair-stepped pricing model that ensures a partnership between us and our customers as we help them to improve patient outcomes and their health economics.

The ARR from our Core Business is currently \$8.2 million. Looking out one additional year, these same contracts equate to \$10.0+ million of revenue over that next 12-month period of time.



Contracted Revenue Pipeline (CRP) at 31 December 2022 totaled \$18.8 million (31 December 2021: \$14.3 million), an increase of 31% (38% CC (constant currency)) over the previous corresponding period.

Gross Margins were 92% on SaaS revenue for the six-month period (31 December 2021: 94%). The Group anticipates 90%+ margins on the full \$18.8 million in CRP, when that revenue is recognised in the coming quarters.

The Churn Rate remained negligible at 2% globally. In addition, the Group renewed 95%+ of the contracts up for renewal during the six-month period. There is an early indication Churn could be 2-4% in coming quarters due to tightening of finances at hospitals; but, overall, the impact of Churn Rate on the Group is expected to remain negligible.

Operating Results – Investing in Large, Growing Markets

Net loss from operations for the period was \$10.8 million (31 December 2021: \$8.9 million). The increased loss from operations, when compared with the prior period, was primarily attributed to two items: (1) a company reorganization, which included a reduction in force and a recruitment of a new CEO and (2) increased commercial activities, which included additional hires in the reimbursement team and sales commissions and travel costs.

Cost of goods sold for the current period totaled \$0.8 million (31 December 2021: \$0.8 million). Revenue increased 10% period over period, while maintaining consistent cost of goods sold in both periods.

In the current period, Wages and Salaries increased \$3.0 million, of which \$1.6 million related to the Company reorganisation, offset by a decrease in Share Based Payments of \$1.4 million related to the reorganization. The remaining increase related to investments made in the commercial team, including the sales and reimbursement teams. In addition, there was a negative impact on reported Wages and Salaries from foreign exchange movements of approximately \$0.3 million during the period.

Consulting and Professional fees for the current period totaled \$1.6 million (31 December 2021: \$0.8 million). The increase primarily related to the reorganisation, recruitment of the CEO, and reimbursement activities.

Travel costs for the current period totaled \$0.5 million (31 December 2021: \$0.2 million), primarily related to increased sales activities.

Clinical Trials and Research and Development costs for the current period totaled \$0.5 million (31 December 2021: \$0.3 million). The increase in costs related to the Renal Failure Clinical Trials, which were completed in the period.

Refer to Note 7 of the Financial Statements for additional information on all other significant movements in operating expenses and how they relate to our key initiatives.

Review of Financial Condition – Liquidity and Capital Resources

Cash and cash equivalents were \$26.2 million at 31 December 2022 (30 June 2022: \$40.7 million). Net cash used in operating activities for the period ended 31 December 2022 was \$12.2 million (31 December 2021: \$6.3 million).

The increase in operating cash outflow was primarily attributable to the reorganisation costs noted above, as well as, an increase of \$0.9 million sales and reimbursement resources, \$0.4 million of production costs related to SOZO II, \$0.2 million in Heart Failure and Renal Failure clinical trials, and \$2.5 million in admin costs primarily related to pre-payment of insurance policies for the year, recruitment of the CEO, and reimbursement activities.

The reorganisation and clinical trials were completed in the first half of the financial year. Net cash used in operating activities are expected to be less than \$6.0 million for the second half of the financial year, with the ability to reduce cash outflows further as sales accelerate.

Cash receipts for the period were \$5.6 million, an increase of \$0.5 million, or 10%, compared to the prior corresponding period cash receipts of \$5.1 million.

Cash outflow from investing activities was \$2.7 million during the period (31 December 2021: \$2.9 million). The decrease in cash flows used in investing activities is primarily related to SOZO II development costs (which are capitalised) as the project nears completion in FY23.

Cash outflow from financing activities was \$0.3 million during the period (31 December 2021: cash inflows of \$40.0 million). During the prior period, the Group raised \$35.0 million before costs from a Placement, through an issuance of shares to new and existing investors. A further \$7.5 million before costs was raised from the issuance of shares under a Share Purchase Plan (SPP). Both the Placement and SPP were heavily over-subscribed.

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 \$0.70 and AUD \$1.00 to USD \$0.68, respectively. The spot exchange rate for the beginning and end of the prior reporting period was AUD \$1.00 to USD \$0.75 and AUD \$1.00 to USD \$0.73, respectively. This fluctuation of the exchange rate led to a favourable outcome in reporting cash and cash equivalents but led to an unfavourable outcome in operating expenditure when compared to the prior period.

The average exchange rate for the reporting period was \$0.67 (Australian dollar (AUD) to US dollar (USD)) (six-month period ended 31 December 2021: \$0.73).

| Glossary of Terms used by ImpediMed | |
|--|--|
| SOZO Systems | A SOZO System refers to a single SOZO used in patient care, which includes the requisite Hardware and Software components to take a patient measurement at the point-of-care. Historically, a SOZO System was referred to as a device. In the financial statements, these terms may be used interchangeably. |
| 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. |
| 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 cancellation clauses related to services yet to be performed. The Contracted Revenue Pipeline assumes no churn, highlighting the importance of customer experience and satisfaction. |
| Total Contract Value (TCV) (i) | The total value of customer contacts including one-time and recurring revenue. |
| Churn (i) | The total systems placed with end-user customer(s) who either (i) canceled while under their contracted period or (ii) elected not to renew their contract at the end of the contracted period. |
| Churn Rate (i) | $\frac{[\text{Churn}]}{[(\text{Total system placements at beginning of period} + \text{Total system placements at end of period}) / 2]}$ |
| Renewal Rate (i) | $\frac{[\text{Total number of end-user customer contracts with expiration dates during the period that were retained}]}{[\text{Total number of customer contracts with expiration dates during the period}]}$ |
| Core Business | The Core Business refers to the commercialisation efforts from the Company's core strategic focus areas. To date, this primarily includes revenue from SOZO contracts in the Oncology market. |
| Clinical Business | The Clinical Business refers to revenue generating contracts related to clinical trials. These contracts are often finite in nature, as they relate to clinical trials with specific end dates |

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

Significant Events after the Balance Sheet Date

Issuance of Ordinary Shares – Equity Share Plans

On 6 January 2023, the Group issued 2,178,259 shares to Non-Executive Directors and Executives as part of the Equity Share Plans, related to the Q2 FY'23 period covering 1 October 2022 – 31 December 2022. These shares were issued in lieu of cash remuneration, which comprised 60% of Non-Executive Directors' fees, 60% of Executive Director base salaries, and up to 20% of Executives' base salaries.

Issuance of CEO/MD Share Based Payments Award

On 25 January 2023, the Group held a general meeting for shareholders to vote on various resolutions. All resolutions passed, including the equity grant awards to Rick Valencia, MD / CEO. Subsequently, the Group issued 10,000,000 share options to the MD / CEO.

NCCN Guidelines

On 30 January 2023, the Group announced that the National Comprehensive Cancer Network® (NCCN) released a new version of the NCCN Clinical Proactive Guidelines in Oncology (NCCN Guidelines®) for Breast Cancer on 27 January 2023. The Section on lymphoedema remains unchanged.

Likely Developments and 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:

CORPORATE

- Complete SOZO II hardware development and submit for FDA clearance.
- Operating cash outflow forecasted to be below \$(3.0) million per quarter moving forward[^].

[^] Based on an estimated foreign currency of \$1.00:\$0.70 AUD:USD. Foreign currency rates below this amount will have a positive impact on cash receipts and a negative impact on cash expenditures for reporting purposes.

ONCOLOGY

- Advance private payor reimbursement coverage/payment for L-Dex® testing.
- Focus on accelerating sales while increasing average monthly license fees.
- Land and expand key cancer centres, medical oncology groups, IDNs and corporate accounts.

HEART FAILURE

- Submission for the removal of the contraindications for implantable pacing and cardioverter defibrillator systems following FDA clearance for SOZO II.

RENAL FAILURE

- Renal Observational Study data review to be completed.
- Discussions with the principal investigators with a view to establishing next steps.

Corporate Governance

ImpediMed's Corporate Governance Statement (Statement) was approved by the Board on 26 August 2022 and can be found at <https://www.impedimed.com/about/investors/corporate-governance/>.

Our governance policies and practices have been largely consistent with the 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations throughout the year, with exceptions outlined in our Statement. Our governance policies and practices are reflected in this Statement as well as our Appendix 4G.

Environmental, Social and Governance (ESG) Reporting

ImpediMed's initiatives to incorporate environmental, social, and governance criteria into our operating framework reflect our commitment to our customers, patients, partners, shareholders, and employees and the communities in which we operate. At ImpediMed, we believe that a focus on ESG is a continuous process of aligning our operations and controls with our company values. The Company is committed to managing and minimizing the environmental footprint of our operations, including our offices, homes, and travel. The Board also considers the physical and transition risks that climate change poses to the business.

At the core of this framework is strong governance and a robust risk and compliance framework. This framework is supported by procedures and systems to ensure that we apply, at all times, high levels of personal and professional integrity.

Refer to the aforementioned Corporate Governance Statement for additional information.

Rounding of Amounts

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 ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191. The Group is an entity to which the Class Order applies.

Auditor's Independence Declaration and Non-Audit Services

The Directors append to the Directors' Report to the following declaration from our auditors, Ernst & Young.

Signed in accordance with a resolution of the Directors.



Donald Williams
Chairman



Jan West, AM
Director

24 February 2023

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**Building a better
working world**

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Auditor's independence declaration to the directors of ImpediMed Limited

As lead auditor for the review of the half-year financial report of ImpediMed Limited for the half-year ended 31 December 2022, 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 review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

A stylized, handwritten signature of the Ernst & Young firm, written in black ink.

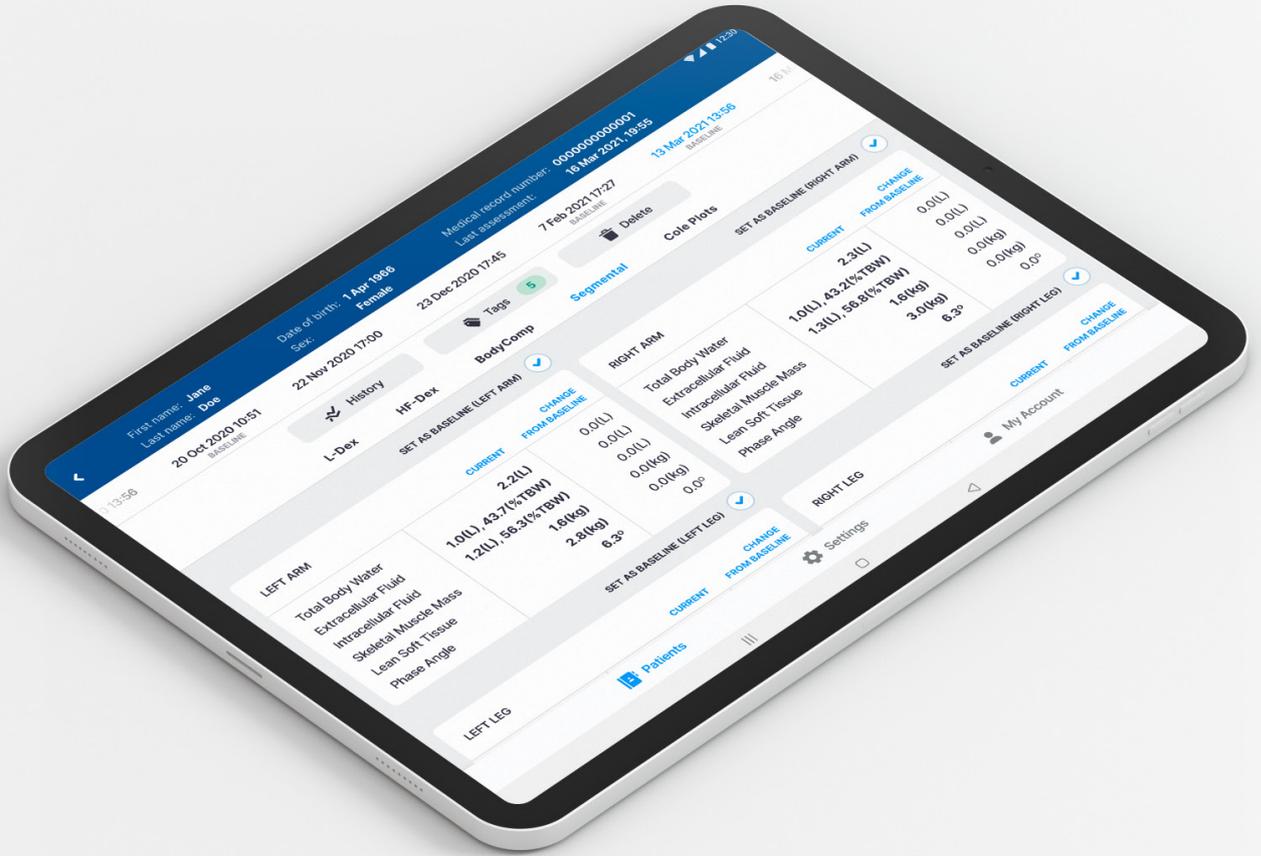
Ernst & Young

A handwritten signature of Jennifer Barker, written in black ink.

Jennifer Barker
Partner
24 February 2023

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Financial Report

CHAPTER 4

Platform Technology.
Transforming Care.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Half-Year Ended 31 December

| | Notes | 2022 \$000 | 2021 \$000 |
|--|-------|-----------------|----------------|
| Continuing Operations | | | |
| SOZO® Revenue | 4 | 5,273 | 4,858 |
| Legacy Revenue | 4 | 335 | 305 |
| Other Revenue | 4 | 47 | 33 |
| Total Revenue from Contracts with Customers | | 5,655 | 5,196 |
| Cost of Goods Sold | | (811) | (787) |
| Gross Profit | | 4,844 | 4,409 |
| Other Income | 6 | 1,104 | 812 |
| Finance Income, net | 6 | 321 | (7) |
| Salaries and Benefits | 7 | (10,985) | (7,784) |
| Share-based Payments | 12 | 59 | (1,630) |
| Consulting and Professional Fees | 7 | (1,558) | (818) |
| Administrative and Governance Fees | 7 | (1,292) | (1,409) |
| Clinical Trials and Research & Development | 7 | (487) | (251) |
| Depreciation and Amortisation | 7 | (1,159) | (1,103) |
| Other Expenses | 7 | (1,639) | (1,120) |
| Loss from Operations Before Income Tax | | (10,792) | (8,901) |
| Income Tax | | (23) | (19) |
| Net Loss | | (10,815) | (8,920) |
| | | | |
| Other Comprehensive Income | | | |
| Items that may be reclassified as profit: | | | |
| Foreign Currency Translation Gain | | 546 | 392 |
| Other Comprehensive Gain for the Period, Net of Tax | | 546 | 392 |
| Total Comprehensive Loss | | (10,269) | (8,528) |
| | | | |
| Basic and Diluted Loss per Share | 2 | (0.01) | (0.01) |

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

CONSOLIDATED BALANCE SHEET

| | Notes | As at 31 Dec 2022 \$000 | As at 30 Jun 2022 \$000 |
|--------------------------------------|-------|-------------------------------|-------------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 8 | 26,197 | 40,730 |
| Trade and Other Receivables | 9 | 3,233 | 3,414 |
| Contract Assets | | 567 | 967 |
| Inventories | | 1,174 | 926 |
| Prepayments and Other | | 1,715 | 623 |
| Total Current Assets | | 32,886 | 46,660 |
| Non-Current Assets | | | |
| Other Financial Assets | | 77 | 75 |
| Contract Assets | | - | 180 |
| Right of Use Asset | | 1,324 | 159 |
| Property and Equipment | | 537 | 259 |
| Intangible Assets | 10 | 13,404 | 11,366 |
| Total Non-Current Assets | | 15,342 | 12,039 |
| Total Assets | | 48,228 | 58,699 |
| | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and Other Payables | | 3,095 | 3,224 |
| Contract Liabilities | | 906 | 928 |
| Provisions | | 1,800 | 2,920 |
| Interest Bearing Lease Liabilities | | 212 | 170 |
| Total Current Liabilities | | 6,013 | 7,242 |
| Non-Current Liabilities | | | |
| Contract Liabilities | | 318 | 360 |
| Interest Bearing Lease Liabilities | | 1,114 | - |
| Provisions | | 62 | 53 |
| Total Non-Current Liabilities | | 1,494 | 413 |
| Total Liabilities | | 7,507 | 7,655 |
| Net Assets | | 40,721 | 51,044 |
| | | | |
| Equity | | | |
| Issued Capital | 11 | 307,563 | 307,558 |
| Reserves | | 34,614 | 34,127 |
| Accumulated Losses | | (301,456) | (290,641) |
| Total Equity | | 40,721 | 51,044 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Half-Year Ended 31 December

| | Notes | 2022 \$000 | 2021 \$000 |
|---|-------|-----------------|----------------|
| Cash Flows from Operating Activities | | | |
| Receipts from Customers (Inclusive of GST and US Sales Tax) | | 5,571 | 5,069 |
| Payments to Suppliers (Inclusive of GST and US Sales Tax) | | (7,809) | (4,452) |
| Payments to Employees | | (11,936) | (8,698) |
| Interest Received | | 314 | 8 |
| Other Receipts | | 1,667 | 1,791 |
| Net Cash Flows Used in Operating Activities | | (12,193) | (6,282) |
| Cash Flow from Investing Activities | | | |
| Purchase of Property and Equipment | | (231) | (27) |
| Development Expenditures and Purchase of Intangibles | | (2,446) | (2,850) |
| Net Cash Flows Used in Investing Activities | | (2,677) | (2,877) |
| Cash Flows from Financing Activities | | | |
| Proceeds from Issue of Ordinary Shares | 11 | 15 | 42,503 |
| Transaction Costs from Capital Raising | 11 | (7) | (2,200) |
| Repayment of Grant | | (149) | - |
| Payment of Lease Liabilities | | (196) | (351) |
| Net Cash Flows from Financing Activities | | (337) | 39,952 |
| Net Increase in Cash and Cash Equivalents | | (15,207) | 30,793 |
| Net Foreign Exchange Differences | | 674 | 333 |
| Cash and Cash Equivalents at Beginning of Period | | 40,730 | 19,681 |
| Cash and Cash Equivalents at End of Period | 8 | 26,197 | 50,807 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Notes | Issued Capital \$000 | Share Reserves \$000 | Foreign Currency Reserves \$000 | Reserves \$000 | Accumulated Losses \$000 | Total \$000 |
|---|-------|----------------------------|----------------------------|--|-------------------|--------------------------------|----------------|
| At 1 July 2021 | | 267,268 | 24,152 | 4,861 | 29,013 | (270,767) | 25,514 |
| Loss for the Period from Continuing Operations | | - | - | - | - | (8,920) | (8,920) |
| Other Comprehensive Gain from Continuing Operations | | - | - | 392 | 392 | - | 392 |
| Total Comprehensive Gain / (Loss) for the Period | | - | - | 392 | 392 | (8,920) | (8,528) |
| Equity Transactions: | | | | | | | |
| Share-based Payments | 12 | - | 1,630 | - | 1,630 | - | 1,630 |
| Allotment of Ordinary Shares | 11 | 42,503 | - | - | - | - | 42,503 |
| Costs of Capital Raising | 11 | (2,208) | - | - | - | - | (2,208) |
| At 31 December 2021 | | 307,563 | 25,782 | 5,253 | 31,035 | (279,687) | 58,911 |
| At 1 July 2022 | | 307,558 | 27,154 | 6,973 | 34,127 | (290,641) | 51,044 |
| Loss for the Period from Continuing Operations | | - | - | - | - | (10,815) | (10,815) |
| Other Comprehensive Gain from Continuing Operations | | - | - | 546 | 546 | - | 546 |
| Total Comprehensive Loss for the Period | | - | - | 546 | 546 | (10,815) | (10,269) |
| Equity Transactions: | | | | | | | |
| Share-based Payments | 12 | - | (59) | - | (59) | - | (59) |
| Allotment of Ordinary Shares | 11 | 5 | - | - | - | - | 5 |
| Costs of Capital Raising | 11 | - | - | - | - | - | - |
| At 31 December 2022 | | 307,563 | 27,095 | 7,519 | 34,614 | (301,456) | 40,721 |

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

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1. Basis of Preparation

Corporate Information

The consolidated financial statements of ImpediMed Limited for the six-months ended 31 December 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 24 February 2023.

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.

Basis of Preparation

The interim consolidated financial statements ("financial report") for the half-year ended 31 December 2022 have 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 annual 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 2022 and considered together with any public announcements made by the Group during the half-year ended 31 December 2022 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

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 the 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 of \$26.2 million at 31 December 2022 (30 June 2022: \$40.7 million) and no borrowing from banks or other financial institutions at that date. The Group incurred a net loss of \$10.8 million for the half-year ended 31 December 2022 (31 December 2021: \$8.9 million), which included various non-cash items. The Group had \$12.2 million (31 December 2021: \$6.3 million) of net cash outflows from operations.

Whilst the Group continues to generate operating losses and net cash outflows from operations, the Group's future viability is dependent upon managing existing cash balances, and achieving increased cash inflows from cash receipts from customers.

The Directors are confident the Group will be able manage cashflows and 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 and thus continue as a going concern.

On this basis, the going concern basis of accounting has been used.

Compliance with IFRS

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

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:

| | 31 Dec 2022 \$000 | 31 Dec 2021 \$000 |
|--|----------------------|----------------------|
| Net Loss Used in Calculating Basic and Diluted Earnings | | |
| Continuing Operations | (10,742) | (8,920) |
| Net Loss Attributable to Ordinary Equity Holders of the Parent for Basic and Diluted Earnings per Share | (10,742) | (8,920) |
| | No. | No. |
| Weighted Average Number of Ordinary Shares Used in Calculating Basic and Diluted Earnings per Share | 1,781,514,781 | 1,582,613,351 |
| | \$ | \$ |
| Basic and Diluted Loss per Share | (0.01) | (0.01) |
| Basic and Diluted Loss per Share from Continuing Operations | (0.01) | (0.01) |

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 half-year ended 31 December 2022, 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 the current period, there were 62,066,222 (31 December 2021: 84,730,423) options and 16,384,500 (31 December 2021: 45,963,845) performance rights on issue.

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

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

3. Dividends Paid and Proposed

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

4. Segment Reporting

(A) Operating Segment

Accounting Policies and Inter-Segment Transactions

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

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

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

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

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

Identification of Reportable Segment

For the 2023 financial year, consistent with the prior year, the Group identified the Medical Segment as the sole operating segment. During the year, the Chief Executive Officer reviewed the business revenue information within the Medical Segment, consisting of the Group's SOZO and Legacy product lines, consistent with the previous financial year. The primary focus during the 2023 financial year for the Medical Segment is the continued commercialisation of SOZO and of the subscription revenue model, which yielded gross margins in excess of 90% and a contracted revenue pipeline of \$18.8 million at 31 December 2022.

Due to having material contracts for the use of SOZO in AstraZeneca clinical trials, revenue from the Group's SOZO product line is presented separately as SOZO – Core Business and SOZO – Clinical Business.

SOZO – Core Business

The Core Business refers to the commercialization efforts from the Company's core strategic focus areas. To date, this primarily includes revenue from SOZO contracts in the Oncology market.

SOZO – Clinical Business

The Clinical Business refers to revenue generating contracts related to clinical trials. These contracts are often finite in nature, as they relate to clinical trials with specific end dates.

Major Customers

The Group has several customers to which it provides both products and services. In the Medical segment, one (2021: one) customer accounted for more than 10% of the Group's revenues. However, 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.

Gross Margins

The Group pays particular attention to its Gross Margins by product line, specifically the Gross Margins associated with its recurring revenue under the SOZO SaaS business model. These revenue streams are shown in the SOZO revenue for *Revenue from Subscriptions and Consumables*.

| At 31 December 2022 | Medical | | | | | |
|---|-------------------------------------|---|------------------------|-----------------|----------------|----------------|
| | SOZO – Core Business \$000 | SOZO – Clinical Business \$000 | Total SOZO \$000 | Legacy \$000 | Other \$000 | Total \$000 |
| Revenue | | | | | | |
| Recurring Subscription and Consumable Revenue from Contracts with Customers | 3,532 | 1,063 | 4,595 | 161 | - | 4,756 |
| Recurring Device Revenue from Leases | - | 116 | 116 | - | - | 116 |
| Device Revenue from Contracts with Customers | 562 | - | 562 | 174 | - | 736 |
| Other Revenue | - | - | - | - | 47 | 47 |
| Total Revenue | 4,094 | 1,179 | 5,273 | 335 | 47 | 5,655 |
| Cost of Revenue | | | | | | |
| Cost of Recurring Subscription and Consumable Revenue from Contracts with Customers | | | (264) | (7) | | (271) |
| Cost of Recurring Device Revenue from Leases | | | (93) | - | - | (93) |
| Cost of Device Revenue from Contracts with Customers | | | (220) | (73) | - | (293) |
| Other Costs | (139) | - | (139) | (8) | (7) | (154) |
| Total Cost of Revenue | | | (716) | (88) | (7) | (811) |
| Gross Margin | | | | | | |
| Gross Margin – Recurring Subscriptions and Consumables | | | 4,331 | 154 | - | 4,485 |
| Gross Margin – Recurring Devices | | | 23 | - | - | 23 |
| Gross Margin - Devices | | | 342 | 101 | - | 443 |
| Gross Margin - Other Revenue | | | (139) | (8) | 40 | (107) |
| Blended Margin | | | 4,557 | 247 | 40 | 4,844 |
| Gross Margin % | | | | | | |
| Gross Margin – Recurring Subscriptions and Consumables | | | 94% | 96% | - | 94% |
| Gross Margin – Recurring Devices (i) | | | 20% | - | - | 20% |
| Gross Margin - Devices | | | 61% | 58% | - | 60% |
| Blended Margin % | | | 86% | 74% | 85% | 86% |

(i) Gross Margin – Recurring Devices relates to the accounting treatment for revenue recognised on devices within the Clinical Business. The majority of revenue under these contracts is recognised as high-margin subscription revenue.

| At 31 December 2021 | Medical | | | | | |
|---|----------------------------|--------------------------------|------------------|--------------|-------------|--------------|
| | SOZO – Core Business \$000 | SOZO – Clinical Business \$000 | Total SOZO \$000 | Legacy \$000 | Other \$000 | Total \$000 |
| Revenue | | | | | | |
| Recurring Subscription and Consumable Revenue from Contracts with Customers | 2,628 | 1,484 | 4,112 | 130 | - | 4,242 |
| Recurring Device Revenue from Leases | - | 162 | 162 | - | - | 162 |
| Device Revenue from Contracts with Customers | 584 | - | 584 | 175 | - | 759 |
| Other Revenue | - | - | - | - | 33 | 33 |
| Total Revenue | 3,212 | 1,646 | 4,858 | 305 | 33 | 5,196 |
| Cost of Revenue | | | | | | |
| Cost of Recurring Subscription and Consumable Revenue from Contracts with Customers | | | (131) | (15) | | (146) |
| Cost of Recurring Device Revenue from Leases | | | (126) | - | - | (126) |
| Cost of Device Revenue from Contracts with Customers | | | (286) | (70) | - | (356) |
| Other Costs | (143) | | (143) | (8) | (8) | (159) |
| Total Cost of Revenue | | | (686) | (93) | (8) | (787) |
| Gross Margin | | | | | | |
| Gross Margin – Recurring Subscriptions and Consumables | | | 3,981 | 115 | - | 4,096 |
| Gross Margin – Recurring Devices | | | 36 | - | - | 36 |
| Gross Margin - Devices | | | 298 | 105 | - | 403 |
| Gross Margin - Other Revenue | | | (143) | (8) | 25 | (126) |
| Blended Margin | | | 4,172 | 212 | 25 | 4,409 |
| Gross Margin % | | | | | | |
| Gross Margin – Recurring Subscriptions and Consumables | | | 97% | 88% | - | 97% |
| Gross Margin – Recurring Devices | | | 22% | - | - | 22% |
| Gross Margin - Devices | | | 51% | 60% | - | 53% |
| Blended Margin % | | | 86% | 72% | | 85% |

(B) Geographical Segments

The following tables present revenue and profit/(loss) information and certain asset and liability information regarding geographical segments for the six-months ending 31 December 2022 and 2021. 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, intellectual property 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

| At 31 December 2022 | Australia/ROW \$000 | North America \$000 | Total \$000 |
|--|------------------------|------------------------|----------------|
| Revenue from Subscriptions and Consumables | 231 | 3,462 | 3,693 |
| Revenue from Devices | 277 | 460 | 737 |
| Other Revenue | 28 | 19 | 47 |
| Total Segment Revenue | 536 | 3,941 | 4,477 |
| Unallocated Revenue (i) | | | 1,178 |
| Total Consolidated Revenue | | | 5,655 |

| At 31 December 2021 | Australia/ROW \$000 | North America \$000 | Total \$000 |
|--|------------------------|------------------------|----------------|
| Revenue from Subscriptions and Consumables | 206 | 2,551 | 2,757 |
| Revenue from Devices | 404 | 356 | 760 |
| Other Revenue | 19 | 14 | 33 |
| Total Segment Revenue | 629 | 2,921 | 3,550 |
| Unallocated Revenue (i) | | | 1,646 |
| Total Consolidated Revenue | | | 5,196 |

(i) Unallocated revenue primarily consists of revenue derived from the Clinical Business, which is not allocated to a specific geography.

Segment Assets

All segment assets relating to the Group's operating segments as at 31 December 2022 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.

During the period the group continued to recognise revenue from a number of agreements with customers within the Clinical Business. These agreements involve leasing SOZO devices for a finite period of time with use of subscription services over that period. These agreements contain both a lease component, the individual SOZO devices delivered to the Customer, and a non-lease component, being the software subscription service provided to the Customer. Based on the structure of these agreements, the lease of devices is accounted for in accordance with AASB 16 as an operating lease and the license to software is accounted for in accordance with AASB15.

Refer to Note 4 for a breakdown of revenue by operating and geographical segments.

6. Finance and Other Income

| Other Income | 31 Dec 2022 \$000 | 31 Dec 2021 \$000 |
|--|----------------------|----------------------|
| R&D Tax Incentive (i) | 1,082 | 812 |
| Proceeds from Tax Refunds, Grants, and Other | 22 | - |
| Total Other Income | 1,104 | 812 |

(i) The Group receives payments for research & development (R&D) tax credits under the AusIndustry R&D Tax Incentive program. 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 has a history of successful lodgings and receipts with the Australian Tax Office.

| Finance Income, Net | 31 Dec 2022 \$000 | 31 Dec 2021 \$000 |
|------------------------------------|----------------------|----------------------|
| Interest Income – term deposits | 326 | 10 |
| Interest Expense – lease liability | (5) | (17) |
| Total Finance Income, Net | 321 | (7) |

7. Expenses

| Salaries and Benefits | 31 Dec 2022 \$000 | 31 Dec 2021 \$000 |
|---|----------------------|----------------------|
| Wages and Salaries (i)(ii) | 9,067 | 6,141 |
| Short-term Incentives and Sales Commissions (iii) | 1,476 | 1,152 |
| Employee Benefits | 682 | 561 |
| Superannuation | 339 | 250 |
| Taxes and Other | 701 | 629 |
| Annual Leave & Long Service Leave | (139) | (83) |
| Capitalised Employee Costs (i) | (1,141) | (866) |
| Sub-Total Salaries and Benefits | 10,985 | 7,784 |
| Share-Based Payments to Employees | (61) | 1,630 |
| Total Salaries and Benefits | 10,924 | 9,414 |

- (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 and prior corresponding periods. Increased capitalised costs in the current period primarily related to SOZO II product development.
- (ii) In the current period, Wages and Salaries increased \$3.0 M, of which \$1.6 M related to reorganisation costs. In addition, the remaining increases related to hiring of employees in the reimbursement team, changes in participation rates in the Equity Compensation Plan, and foreign exchange rate fluctuations.
- (iii) Short-Term Incentives and Sales Commissions as at 31 December 2022 primarily consisted of \$0.7 million (31 December 2021: \$0.4 million) in sales related Commissions and \$0.8 million (31 December 2021: \$0.7 million) in Short-Term incentives.

| Research and Clinical Trials | 31 Dec 2022 \$000 | 31 Dec 2021 \$000 |
|--|----------------------|----------------------|
| Renal Failure Clinical Trials (i) | 335 | 64 |
| Cardiology and other Clinical Trials | 151 | 183 |
| Product Engineering and other Research and Development | 1 | 4 |
| Total Research and Clinical Trials | 487 | 251 |

- (i) The increase in Renal Failure Clinical Trials primarily relates to the Frenova Renal Research study, which were completed as of 31 December 2022.

| Administrative and Governance Fees | 31 Dec 2022 \$000 | 31 Dec 2021 \$000 |
|---|----------------------|----------------------|
| Insurance | 604 | 646 |
| Governance and Regulatory Fees | 356 | 396 |
| Administrative Expenses | 196 | 210 |
| Directors' Fees | 135 | 151 |
| Foreign Currency Loss on Transactions | 1 | 6 |
| Total Administrative and Governance Fees | 1,292 | 1,409 |

| Consulting and Professional Fees | 31 Dec 2022 \$000 | 31 Dec 2021 \$000 |
|---|----------------------|----------------------|
| Consulting Fees (i) | 648 | 516 |
| Professional Fees (ii) | 634 | 91 |
| Patent and Trademark Fees | 276 | 211 |
| Total Consulting and Professional Fees | 1,558 | 818 |

- (i) The increase in Consulting fees in the current period primarily related to marketing consultants.
- (ii) The increase in Professional fees relates to the reorganisation costs such as recruitment of the new CEO.

| Depreciation & Amortisation | 31 Dec 2022 \$000 | 31 Dec 2021 \$000 |
|--|----------------------|----------------------|
| Property, Plant, and Equipment | 241 | 201 |
| Intangibles | 918 | 902 |
| Total Depreciation & Amortisation | 1,159 | 1,103 |

| Other Expenses | 31 Dec 2022 \$000 | 31 Dec 2021 \$000 |
|---------------------------------|----------------------|----------------------|
| IT, Property and Other Expenses | 532 | 464 |
| Travel Expenses (i) | 512 | 184 |
| Advertising and Promotion (ii) | 217 | 315 |
| Other (iii) | 378 | 157 |
| Total Other Expenses | 1,639 | 1,120 |

- (i) Travel expenses increased in the current period as there were less restrictions compared to the prior year related to COVID-19.
(ii) Advertising expenses decreased in the current period from decreased spending on the branding of Lymphoedema Prevention Program.
(iii) Other expenses primarily increased due to bad debt expense, related to prior period contracts.

8. Cash and Cash Equivalents

| | As at 31 Dec 2022 \$000 | As at 30 Jun 2022 \$000 |
|----------------------------------|----------------------------|----------------------------|
| Cash at Bank and in Hand | 7,956 | 9,444 |
| Short-term Deposits | 18,241 | 31,286 |
| Cash and Cash Equivalents | 26,197 | 40,730 |

9. Trade and Other Receivables

| | As at 31 Dec 2022 \$000 | As at 30 Jun 2022 \$000 |
|--|----------------------------|----------------------------|
| Trade Receivables | 2,363 | 1,917 |
| Allowance for Expected Credit losses | (188) | (136) |
| Tax, Interest, and Other Receivables | 1,058 | 1,633 |
| Total Trade and Other Receivables | 3,233 | 3,414 |

| | 2022 \$000 | 2021 \$000 |
|--------------------------------------|---------------|---------------|
| Allowance for Expected Credit losses | | |
| At 1 July | (136) | (84) |
| Charge for the Period | (71) | (16) |
| Amounts Reversed | - | 39 |
| Amounts Written Off | 20 | 35 |
| Foreign Exchange Translation | (1) | (2) |
| At 31 December | (188) | (28) |

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 assets not at fair value through profit or loss, directly attributable transaction costs.

10. Non-Current Assets – Intangible Assets and Goodwill

Intangible Assets

Intangible assets, including goodwill, totaled \$13.4 million at 31 December 2022 (30 June 2022: \$11.4 million).

During the six months ended 31 December 2022, the Group generated intangible assets with a cost of \$2.9 million (31 December 2021: \$2.4 million), which consisted of \$1.9 million of SOZO II development and \$1.0 million of recurring software development costs. The Group anticipates SOZO II project costs will be completed in FY23. In accordance with AASB 138 *Intangible Assets*, the Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and expected period of benefits.

Other intangible assets decreased in the current period due to the amortisation of SOZO software, computer software and licenses. This decrease was partially offset by foreign currency exchange movements.

Goodwill

Goodwill totaled \$2.7 and \$2.6 million at 31 December 2022 and 30 June 2022, respectively, with the movement relating to foreign exchange translation.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

At 31 December 2022, the Group found no evidence of indicators of impairment of goodwill or other assets, and as a result, no impairment test has been performed at the reporting date.

11. Issued Capital

Ordinary Shares

| | Number of Shares | \$000 |
|--|----------------------|----------------|
| At 31 December 2021 | 1,775,812,502 | 307,563 |
| Issued During the Period as a Result of: | | |
| Issue of Non-Executive Director and Employee Share Plans | 1,967,233 | - |
| Issue of Employee Share Based Payments | 187,500 | - |
| Transaction Costs | - | (5) |
| At 30 June 2022 | 1,777,967,235 | 307,558 |
| Issued During the Period as a Result of: | | |
| Issue of Non-Executive Director and Employee Share Plans | 5,221,920 | - |
| Issue of Employee Share Based Payments | 297,500 | 14 |
| Transaction Costs | - | (9) |
| At 31 December 2022 | 1,783,486,655 | 307,563 |

12. Share-Based Payments

| | 31 Dec 2022 \$000 | 31 Dec 2021 \$000 |
|--|----------------------|----------------------|
| Share-Based Payments to Employees (i) | (231) | 1,469 |
| Share-Based Payments to Non-Executive Directors share plan | 172 | 161 |
| Total Share-Based Payments | (59) | 1,630 |

(i) Share-based payments to employees included \$(1.4) million of reversed expense on forfeited awards.

Executive and Non-Executive Share Plans

The Group continued an Executive Share Plan whereby up to 20% of an Executive's gross salary and short-term incentives were taken as shares in lieu of cash. The Non-Executive Share Plan continued to have 60% of Directors' Fees taken as shares in lieu of cash and 40% of Director's fees paid in cash. The Group established these plans to (a) align the financial interests of Executives and Directors with those of the shareholders, (b) facilitate the acquisition of shares by the Executives and Directors, and (c) preserve cash reserves by remunerating the Executives and Directors with shares in lieu of cash.

During the period, share-based payments issued under the Executive Share Plan to Executives were approximately \$227,000 (31 December 2021: \$362,000).

Share Options

Share options are issued to eligible participants under the EIP. Share options issued during the period vest on the one-year anniversary of the date of grant in an amount equal to the product of one-fourth multiplied by the number of total options granted. The remaining options vest evenly on an annual basis over the next three years if the participant is still employed on such dates. 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 fair value of the options granted is estimated at the date of grant using an appropriate valuation methodology (either Black Scholes model or Monte Carlo Simulation), taking into account the terms and conditions upon which the options were granted.

The weighted average fair value of options granted during the six-month period was \$0.06 (31 December 2021: \$0.11).

Performance Rights

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.

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 period 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.

Awards during the Period

During the current period, 25,850,000 share options (31 December 2021: 30,254,000) and nil performance rights (31 December 2021: 20,603,000) were granted under the EIP. The awards granted included 10,456,000 share options (31 December 2021: 14,491,000) and nil performance rights (31 December 2021: 14,855,000) granted to key management personnel ("KMP") during the period. The exercise price of the options was valued at the share price on the date of issue using the five-day weighted average share price.

The fair value of awards granted during the current period were estimated on the date of grant using the following assumptions:

| Assumptions | Options | Performance Rights |
|-------------------------------|---------|--------------------|
| Expected Volatility (%) | 84.39 | N/A |
| Risk-Free Rate of Return (%) | 3.54 | N/A |
| Dividend Yield (%) | - | - |
| Average Expected Life (years) | 4.74 | 3.00 |
| Strike Price (\$) | 0.062 | - |

13. 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 | |
|---------------------------|--------------------------|-------------------|-------------|
| | | 31 Dec 2022 | 31 Dec 2021 |
| 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 parent entity.

Details relating to Directors are included in the Directors' Report.

For the half-year ended 31 December 2022, and for the prior half-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.

14. Commitments and Contingencies

Expenditure Commitments

At 31 December 2022, the Group has commitments of \$0.6 million (30 June 2022: \$2.7 million) relating to the funding of future product builds, clinical trials, advertising and promotional activities, and other activities. The majority of the expenditure commitments relate to SOZO product builds to meet increasing demands for SOZO devices.

Contingent Liabilities

The Group had no contingent liabilities as at 31 December 2022.

15. Events After the Balance Sheet Date

Issuance of Ordinary Shares – Equity Share Plans

On 6 January 2023, the Group issued 2,178,259 shares to Non-Executive Directors and Executives as part of the Equity Share Plans, related to the Q2 FY'23 period covering 1 October 2022 – 31 December 2022. These shares were issued in lieu of cash remuneration, which comprised 60% of Non-Executive Directors' fees, 60% of Executive Director base salaries, and up to 20% of Executives' base salaries.

Issuance of CEO/MD Share Based Payments Award

On 25 January 2023, the Group held a general meeting for shareholders to vote on various resolutions. All resolutions passed, including the equity grant awards to Rick Valencia, MD / CEO. Subsequently, the Group issued 10,000,000 share options to the MD / CEO.

NCCN Guidelines

On 30 January 2023, the Group announced that the National Comprehensive Cancer Network® (NCCN) released a new version of the NCCN Clinical Proactive Guidelines in Oncology (NCCN Guidelines®) for Breast Cancer on 27 January 2023. The Section on lymphoedema remains unchanged.

Directors' Declaration

For the half-year ended 31 December 2022

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 half-year ended 31 December 2022 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 31 December 2022 and of its performance of the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.
- (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



Donald Williams
Chairman



Jan West, AM
Director

24 February 2023



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Independent auditor's review report to the members of ImpediMed Limited

Conclusion

We have reviewed the accompanying half-year financial report of ImpediMed Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a description of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 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*.

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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.

A stylized, handwritten signature of the Ernst & Young firm name in black ink.

Ernst & Young

A handwritten signature of Jennifer Barker in black ink.

Jennifer Barker
Partner
Brisbane
24 February 2023

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**Interim
Financial
Report**

For the Half-Year Ended **31 December 2022**