impedimed

2016 ANNUAL REPORT

Hello

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IMPEDIMED LIMITED

ANNUAL FINANCIAL REPORT

ABN 65 089 705 144

For the year ended 30 June 2016

CORPORATE INFORMATION

ABN: 65 089 705 144

This financial report covers the consolidated entity comprising ImpediMed Limited (the "Parent" or "Company") with its wholly-owned subsidiaries (the "Group"). The Parent's functional and presentation currency and the Group's presentation currency is the Australian dollar (AUD or $). 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

C Hirst AO, Chairman
D Adams (Resigned 8–August–2016)
E Gaines (Appointed 1–March–2016)
G Goetzke (Appointed 8–August–2016)
J Hazel (Retired 1–March–2016)
M Panaccio (Retired 8–August–2016)
S Ward

MANAGING DIRECTOR

R Carreon, Managing Director and CEO

COMPANY SECRETARY

L Ralph

REGISTERED OFFICE

Unit 1, 50 Parker Court
Pinkenba QLD 4008

PRINCIPAL PLACES OF BUSINESS

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

US Regional Office
2901 Metro Drive
Bloomington MN 55425 USA
Phone: +1 760 585 2011

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

WEBSITES AND SOCIAL MEDIA

www.impedimed.com

www.hellosozo.com

SHARE REGISTER

Link Market Services
Level 15, 324 Queen Street
Brisbane QLD 4000
Phone: +61 7 3320 2200

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

SOLICITORS

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

Sheppard Mullin Richter & Hampton LLP
12275 El Camino Real, Suite 200
San Diego CA 92130-2006 USA

BANKERS

Commonwealth Bank of Australia
240 Queen Street
Brisbane QLD 4000

Bank of America
450 B Street, Suite 1500
San Diego CA 92101-8001 USA

AUDITORS

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

REMUNERATION ADVISORS TO THE BOARD OF DIRECTORS

KPMG
147 Collins Street
Melbourne VIC 3000

David Ness
18811 Mescalero Drive
Rio Verde AZ 85263 USA

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CHAIRMAN'S REPORT

DR. CHERRELL HIRST AO
CHAIRMAN OF THE BOARD

On behalf of the Company's Board of Directors and Management, I am delighted to present the Annual Report for ImpediMed Limited (ImpediMed or the Company) for the 2016 financial year.

This has been a transformational year for ImpediMed, during which we have made significant advances which are changing the face of the Company and further developing our platform technology. The Company, through its highly capable and committed management team, have achieved many successes, including but not limited to the commercial launch of L-Dex®, the advancement of our clinical development program for Chronic Heart Failure (CHF) and the accelerated development of our next generation device, SOZO™, as well as progressing our critically important clinical trial in lymphoedema.

The Board has listened to our Shareholders and put in extensive work to address concerns over our 2015 Remuneration Report. Preceding the Remuneration Report you will find a letter from Scott Ward, Remuneration Committee Chair, and myself, that addresses the diligence taken in our revised approach to the report. The Board is committed to ensuring that the Group's remuneration policies and practices are fair, competitive and responsible and we believe the updates made to this year's report give greater clarity into our practices.

Year in Review

Financial year 2016 marked the U.S. commercial launch of our L-Dex system to aid in the clinical assessment of lymphoedema. This follows a successful pilot program involving six U.S. cancer centres. The launch is progressing ahead of schedule, with 33 of 50 targeted cancer centres signed in just the first half of calendar year 2016. ImpediMed generated $5.8 million in group revenue, an increase of 21% on the previous corresponding period (pcp) and $3.2 million of revenue for lymphoedema, a 60% increase pcp.

In addition, the Company completed a $75.1 million capital raise, to enable ImpediMed to expand and accelerate sales and marketing of L-Dex and pursue significant opportunities in other indications, including CHF; as well as strengthen the overall balance sheet in the context of high levels of commercial and corporate inquiry being generated by the Company.

ImpediMed strengthened its relationship with world renowned Mayo Clinic, through a multi-location, five-year clinical trial agreement and a separate three-year joint development agreement. The agreements allow us to explore additional indications for fluid status and body composition technologies, as well as conduct trials and studies on Mayo campuses. This will significantly streamline the advancement in our current indications, as well as exploring new indications.

Looking Ahead

The Company accelerated development of our next generation device, SOZO, which was pre-launched into the health and wellness market in August 2016. SOZO is the world's first intuitive digital health device and wellness platform that combines bioimpedance spectroscopy (BIS) technology with artificial intelligence to create a rapid, non-invasive scan of a person's body, providing a precise and repeatable snapshot of a person's body composition, fluid status and hydration in a variety of settings such as in hospitals, doctors' offices and patients' homes.

It is crucial that CHF patients have their fluid balance and body composition regularly monitored. SOZO, the most accurate tool for measuring hydration, body composition and fluid balance, makes this possible. ImpediMed has partnered with a top cardio-vascular hospital in the U.S., Scripps Health, to use the SOZO device in a validation study for monitoring patients with heart failure who are currently being tracked using pulmonary artery pressure monitoring. The validation study will provide real-world data necessary for the final design of the pivotal trial.

Thank You's

As ImpediMed extends its commercial presence in the US and pursues new opportunities for its technology, we continue to evolve and add extremely high calibre talent to our Board and Management teams. We are pleased to welcome Ms Elizabeth Gaines and Mr Gary Goetzke to our Board of Directors. Elizabeth brings financial management expertise and a breadth of commercial experience, while Gary brings a wealth of experience in the medical device industry, with considerable experience in U.S. reimbursement.

In addition, Mr David Adams has strengthened the executive team by taking on an executive role with ImpediMed as Senior Vice President of Ventures, Licensing and Corporate Development. The skills and experience David brings to this role will be crucial to ImpediMed as it continues to build a successful global organization.

We have had an extremely busy and successful year that would have not been possible without the efforts of ImpediMed Managing Director and CEO Richard Carreon and the ImpediMed team. Thanks to the continued leadership of Morten Vigeland, Catherine Kingsford and Dennis Schlaht and the key additions of Ann Holder and Jack Cosentino, ImpediMed is well placed for a successful year ahead. The 2017 financial year is already off to an impressive start with a number of key announcements made. My hat is off to Rick and his team for their ability to deliver results, usually ahead of schedule.

We are confident that Rick's continued leadership will place us in a strong position as we continue the commercial rollout of L-Dex in the United States and advance our BIS technology applications and clinical trials for the chronic heart failure market in the coming year.

Yours sincerely,

Cherrell Hirst AO
Chairman

Say Hello to

SOZO™

by impedimed

CEO'S LETTER

RICHARD CARREON
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Dear Shareholders,

Fiscal year 2016 was a pivotal year for ImpediMed. This was the year that we began to place the building blocks for our future growth on the extraordinary foundation that we had built in the previous three years. These first building blocks were the national launch of L-Dex, the purchase of key assets from Intersection Medical, the Harvard and Chronic Heart Failure Advisory Board, the ACS/ASCO and NCCN Guidelines, our five-year clinical trial agreement with the Mayo Clinic, and the $75 million private placement. As we move forward each one of these initiatives have, and will, dramatically influence our future.

To clearly communicate our transition to a digital health platform company we rebranded ImpediMed in January. Our new look focuses on our technology and its application of fluid status and body composition in all living things.

We also introduced SOZO, our next generation device, to the market. SOZO, coupled with a suite of applications for the clinical market, clearly establishes ImpediMed as one of the global leaders in digital health.

Our investors have been instrumental in helping us reshape ImpediMed. The $75 million private placement we conducted in February and March has allowed us to accelerate a number of critical projects and collapse an already aggressive timeline. None of this would have been possible without you; our sincere thank you for your ongoing support.

Operationally, ImpediMed is in a very strong position. We had a cash balance of A$82.3 million as of 30 June 2016. We added key talent to our team throughout the year, including the appointment of Ann Holder and Jack Cosentino to our Executive team.

We enter the 2017 financial year laser focused on greater market access and on aggressively continuing our journey to population health and chronic disease management. I believe we are very well positioned for the future and am excited for the journey ahead. We will continue to make great strides in moving ImpediMed from a medical device company to a medical technology company focused on digital health, at the forefront of remote patient monitoring. As I stated on our Q4 Investor Update call, "Innovation is at our core, and will be the life-blood of our future."

I would like to sincerely thank our ImpediMed team, and as importantly their families, for the tireless efforts put forth in the past year. Thank you, as well, to our stakeholders and health professionals for their continued support of ImpediMed. I once again look forward to sharing a successful year ahead with you all.

Yours sincerely,

Richard Carreon
Managing Director and CEO

DIRECTORS


Cherrell Hirst AO
Chairman
Non-executive
Director


Elizabeth Gaines
Non-executive
Director


Gary Goetzke
Non-executive
Director


Scott R. Ward
Non-executive
Director


Richard Carreon
Managing
Director and Chief
Executive Officer

EXECUTIVES


Frank Vicini
Chief Medical
Officer


Morten Vigeland
Chief Financial
Officer


Jack Cosentino
Chief Strategy
Officer


David Adams
Senior Vice
President
Ventures,
Licensing &
Corporate
Development


Ann Holder
Senior Vice
President
General
Management &
Operations


Catherine Kingsford
Senior Vice President
Medical Affairs


Dennis Schlaht
Senior Vice
President
Quality, R&D &
Technology

Directors' profiles appear on pages 13 to 17 of the Directors' Report.

DIRECTORS' REPORT

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2016.

DIRECTORS

The names and details of the Parent's Directors (the "Board") in office during the year and until the date of this report are outlined below.

Cherrell Hirst AO, FTSE, MBBS, BEdSt, DUniv, FAICD — Non-executive Chairman

Cherrell Hirst AO is a medical doctor and was a leading practitioner in the area of breast cancer screening and diagnosis. Cherrell serves as the Chairman of the Board. Cherrell was appointed Deputy Chairman in July 2011 and Chairman in November 2011. Presently, she is also the Chair of ImpediMed Limited's Nomination Committee and serves on the Remuneration Committee and the Audit and Risk Management Committee. She is a Non-executive Director of Medibank Private Ltd, RSL Care Ltd, the Gold Coast Hospital and Health Service and Chair of Factor Therapeutics Ltd (previously Tissue Therapies Ltd).

Cherrell's areas of experience include medical practice, with extensive experience as a breast cancer clinician, the medical/biotechnology industry and corporate governance.

Listed company directorships held since 1 July 2013:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	August–05	—
Factor Therapeutics Limited	June–09	—
Medibank Private Limited (i)	December–09	—
Telesso Technologies Limited	October–12	October–13

(i) Medibank Private Limited became publicly listed in December 2014.

David Adams, Juris Doctorate, BSc — Non-executive Director

David Adams stood down from his position as Non-Executive Director and member of the Nomination and Audit and Risk Management Committees in August 2016 to take on an executive role with ImpediMed, as Senior Vice President of Ventures, Licensing and Corporate Development. David has extensive experience in the health-care industry, including previous roles as Chief Operating Officer at InnerSpace Neuro Solutions, Inc, Vice President of Corporate Integration and Divestitures and Vice President of Cardiovascular Business Development at Medtronic, Inc.

Listed company directorships held since 1 July 2013:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	November–13	August–16

DIRECTORS (CONTINUED)

Elizabeth Gaines — Non-executive Director

Elizabeth Gaines was appointed to the Board in March 2016, chairs the Audit and Risk Management Committee and serves on the Remuneration and Nomination Committees. Elizabeth also serves as a Non-Executive Director of Fortescue Metals Group Limited, NextDC Limited and Nine Entertainment Co Limited.

Elizabeth was most recently the CEO, and previously CFO and COO, of Helloworld, an ASX listed travel distribution business and has extensive international experience in all aspects of financial and commercial management. Her executive career includes leadership and senior finance roles in Australia and internationally, spanning financial services, infrastructure, media and travel distribution.

Elizabeth is a member of Chartered Accountants Australia & New Zealand, the Australian Institute of Company Directors and Chief Executive Women.

Listed company directorships held since 1 July 2013:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	March–16	—
Fortescue Metals Group Limited	February–13	—
NextDC Limited	June–15	—
Nine Entertainment Co. Limited	March–16	—

Gary Goetzke, Juris Doctorate — Non-executive Director

Gary Goetzke has spent 15 years in senior management positions of three medical device companies where he led efforts in pursuing global coverage and payment policy for a variety of medical device therapies in the areas of cardiology, neurology, urology, pelvic health, wound care, orthopaedics, ENT and sleep. Gary is currently the Principle and Chief Executive Officer of Compass Medical Advisors, LLC, an enterprise focused on developing health economic-related mobile APPs for the medical device industry.

Gary will serve on the Audit and Risk Management and Nomination Committees.

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	August–16	—

Jim Hazel, BEc, SF Fin, FAICD — Non-executive Director

Jim Hazel chaired the Audit and Risk Committee and served on the Nomination Committee until his retirement in March 2016. Jim had an extensive corporate career in both the retirement and investment banking sectors, and was formerly Chief General Manager of Adelaide Bank Limited. Jim is a Director of Bendigo and Adelaide Bank Limited, Centrex Metals Limited, Coopers Brewery Limited and is the Chairman of Ingenia Communities Group. He also serves on the Boards of Motor Accident Commission and the Council of the University of South Australia.

Jim's areas of experience include finance and accounting, ASX listed companies, former CEO, chairman of audit committees and corporate governance.

Listed company directorships held since 1 July 2013:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	November–06	March–16
Bendigo & Adelaide Bank Limited	March–10	—
Centrex Metals Limited	July–10	—
Ingenia Communities Group	March–12	—

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

Michael Panaccio served on the Remuneration Committee and the Nomination Committee until his retirement in August 2016. Michael is an investment principal and founder of leading Australian venture capital firm Starfish Ventures Pty Ltd, a venture capital manager focusing on investments in medical devices, therapeutics and IT companies. Michael, and entities he is associated with including funds managed by Starfish Ventures, held approximately 6.8% of ImpediMed Limited's ordinary shares at 30 June 2016.

Michael's experience includes more than five years with Singapore based venture capital firm Nomura/JAFCO investment (Asia) Limited and 15 years at Starfish Ventures. Michael has experience in capital raising, ASX listed companies, medical/biotechnology industry, mergers and acquisitions and corporate governance.

Listed company directorships held since 1 July 2013:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	January–07	August–16
dorsaVi	May–08	—

Scott R. Ward, MS, BSc — Non-executive Director

Scott R. Ward chairs the Remuneration Committee and serves on the Nomination Committee.

Scott is Chairman of the Board and Interim Chief Executive Officer of Cardiovascular Systems, Inc and a Managing Director at SightLine Partners, a venture capital firm focused on investments in later stage medical device companies. He is also the Managing Director of Raymond Holdings, a firm founded in 2011, with activities in venture capital, strategy and transactional advisory services.

Scott has over 35 years of experience in the healthcare industry, including 15 years as an operating business leader. He was most recently Senior Vice President and President of the CardioVascular business of Medtronic Inc., responsible for all world-wide operations of the CardioVascular Business including the Coronary, Peripheral, Endovascular, Structural Heart Disease and Revascularization and Surgical Therapies Businesses. Previously, Mr Ward served as Senior Vice President and President of Medtronic Neurological and Diabetes, with responsibility for the global Neurological, Neurologic Technologies, Diabetes, Gastroenterology and Urology businesses; Vice President and General Manager of the Medtronic Drug Delivery Business; and Director of Medtronic NeuroVentures.

Listed company directorships held since 1 July 2013:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	July–13	—
Surmodics Incorporated (i)	September–10	March–15
Cardiovascular Systems Incorporated (i)	November–13	—

(i) US-based publicly traded company.

Richard Carreon — Executive Director

Richard Carreon was appointed to the Board as Executive Director in May 2015. Rick joined ImpediMed in July 2012 as President and CEO. Rick has more than 30 years of experience in management, sales and marketing, spanning the consumer products and medical technology industries. Rick has more than a decade of executive experience working for Medtronic, a leading global manufacturer of cutting-edge medical devices, and therapies. His roles at Medtronic included Vice President, US Cardiovascular Commercial Operations; Vice President of Sales – Structural Heart; Vice President of Sales and Marketing Medtronic Gastroenterology and Urology; and Vice President of Sales — The Americas.

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

Listed company directorships held since 1 July 2013:

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	May–15	—

Interest in the shares and options of the Group and related body corporate

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

Director	Ordinary Shares
C Hirst AO	1,216,924
E Gaines	—
G Goetzke	—
S Ward	225,000
R Carreon	452,858

COMPANY SECRETARY

Leanne Ralph — Company Secretary

Leanne Ralph was appointed to the position of Company Secretary in January 2015. Leanne has over 15 years' experience in company secretarial roles for various publicly listed and unlisted entities and is a member of the Governance Institute of Australia and the Australian Institute of Company Directors. Leanne is the principal of Boardworx Australia Pty Ltd, which supplies bespoke outsourced Company Secretarial services to a number of listed and unlisted companies.

DIVIDENDS

No dividends were paid or proposed to be paid to shareholders for the year ended 30 June 2016.

PRINCIPAL ACTIVITIES

ImpediMed is a global provider of medical technology to measure, monitor and manage fluid status and body composition.

The principal activities of the Group during the year were the development, manufacture and sale of bioimpedance instruments and consumables and the sale of electronic test and measurement devices.

OPERATING AND FINANCIAL REVIEW

GROUP OVERVIEW

ImpediMed Limited was founded in Brisbane, Australia in October 1999, and was listed on the ASX on 24 October 2007.

The Group consists of three entities:

- ImpediMed Limited, the Parent company operating in medical markets in regions outside the US; incorporated in 1999 and listed on the ASX on 24 October 2007.
- ImpediMed, Inc, a Delaware corporation operating in medical markets in North America.
- XiTRON Technologies, Inc, a California corporation operating in power test and measurement markets globally. XiTRON Technologies, Inc was acquired by ImpediMed Limited on 1 October 2007.

OPERATING RESULTS FOR THE YEAR

Total comprehensive loss for the period was $23.6 million (2015: $11.3 million). The loss from continuing operations after income tax and the net loss for the year ended 30 June 2016 were $26.0 million (2015: $14.8 million). The increased loss, when compared with the prior year, is primarily attributed to (1) an increase in sales related activities as the Group commenced the full commercial launch of L-Dex® for oncology in the US and (2) research and development work related to the expansion in to new indications for the Group's BIS technology.

The full commercial launch follows on the heels of the successful targeted launch and pilot program involving six cancer centres in the first half of the financial year. ImpediMed is now expanding on its US commercial marketing activities, with the initial objective of establishing lymphoedema surveillance programmes for breast cancer patients in 50 of the top cancer centres in the United States during calendar year 2016. The Group had signed and trained 33 of the 50 targeted accounts in the first half of calendar year 2016.

The average exchange rate for the reporting period was US dollar (USD) 0.728 to Australian dollar (AUD) $1.00 (2015: USD 0.837). During 2016, the Group incurred an unrealised mark-to-market foreign currency translation loss of $2.3 million (2015: $22,000 gain). The loss in the current year primarily relates to holding a balance of US-denominated funds in the Parent company during a period of high fluctuation in exchange rates. There is an offsetting foreign currency translation gain in the Consolidated Statement of Comprehensive Income related to the movement of these funds to a US-subsidiary.

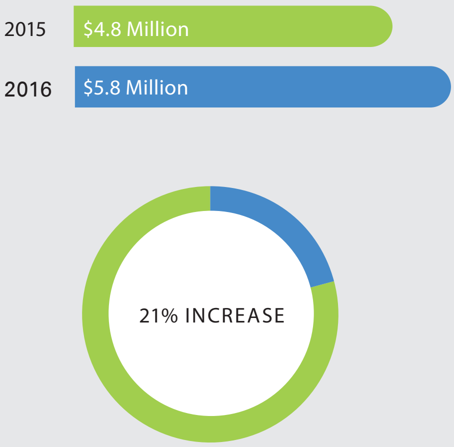
ACTIVITIES EFFECTING OPERATING RESULTS

- Commenced Full US Commercial Launch of L-Dex for Lymphoedema
- Established Medical Advisory Board for Chronic Heart Failure (CHF)
- Accelerated Development of Next Generation Device for In-Clinic and At-Home Settings
- Completed a $75.1 Million Private Placement and Share Purchase Plan
- Announced Five-Year Multi-Location Clinical Trial with Mayo Clinic
- Launched new Website, Social Media, and Public Relations Campaign in US

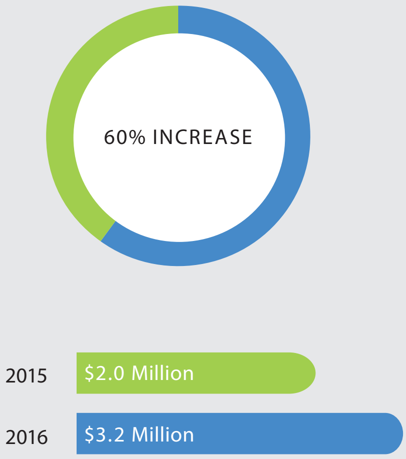
OPERATING AND FINANCIAL REVIEW (CONTINUED)

OPERATING RESULTS FOR THE YEAR (CONTINUED)

REVENUE RELATED TO GOODS AND SERVICES



ONCOLOGY REVENUE

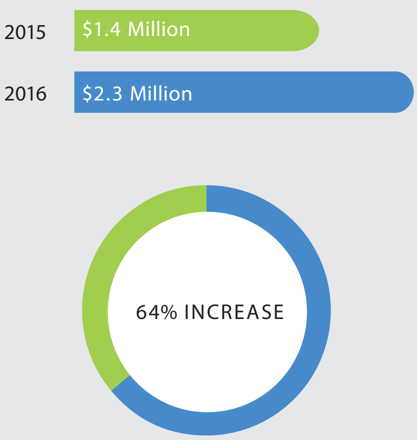


Revenue related to goods and services increased for the year ended 30 June 2016 to $5.8 million (2015: $4.8 million), an increase of $1.0 million, or 21%, year over year. The change by operating segment was a $1.1 million increase in Medical and a $0.1 million decrease in Test & Measurement (T&M). The $1.1 million increase in the Medical segment was due to a $0.1 million decrease in Body Composition and Veterinary products, while total Oncology product revenue increased by $1.2 million, or an increase of 60% year over year.

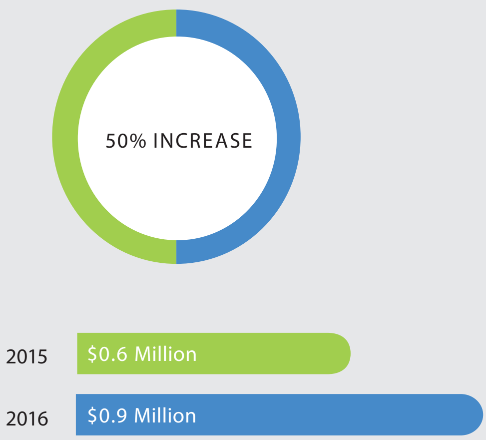
During the period, the Group sold its products through a mix of employed sales reps and independent distributors. In the U.S. Oncology market, the Group has an employed, direct sales force that focuses on the sale of the L-Dex U400® and its associated patient assessments.

ONCOLOGY REVENUE

CONSUMABLE REVENUE



DEVICE REVENUE



OPERATING RESULTS FOR THE YEAR (CONTINUED)

Cost of sales for the current period were $1.6 million, an increase of 23% (2015: $1.3 million). The increase in cost of sales is largely consistent with the increase in revenue during the period. In the medical segment, there was an increase in gross margin as a larger portion of revenue was generated from the sale of the Group's consumable products, which have a higher gross margin than devices. The gross margin for the Group increased to 75% for the current period (2015: 73%).

Salaries and benefits increased to $15.0 million, an increase of 58% (2015: $9.5 million). The employee headcount at 30 June 2016 was 56 (2015: 43). Salaries and benefits increased in the current year primarily due to the expansion of US sales and marketing activities, as the Group commenced the full commercial launch of L-Dex in the US marketplace and began to pursue the Chronic Heart Failure (CHF) business. In addition, the increase was also due to a fluctuation in the AUD-USD exchange rate during the period as it relates to US-based employees.

Research and development expenses increased to $2.4 million, an increase of 2,300% (2015: $0.1 million). The increase in research and development expenses related to the accelerated development of a next generation device for both in-clinic and at-home settings, which we believe will be suitable for a number of different markets or indications. In the prior corresponding period, the bulk of R&D expense was captured in house as salaries and benefits.

Clinical Trial expenses increased to $1.6 million, an increase of 78% (2015: $0.9 million). The increase in expense for clinical trials occurred in line with the continued enrolment of patients in the post-approval clinical trial of L-Dex. Centres participating in the trial include Macquarie University Cancer Institute out of Australia; and Vanderbilt University, the Mayo Clinic Cancer Center, the University of Texas MD Anderson Cancer Center, the University of Kansas Cancer Center and other centres out of the US. Part of the increase was due to initial expenses for the CHF clinical program, as the Group established a Medical Advisory Board for CHF and signed a five-year, multi-location clinical trial agreement with the Mayo Clinic.

OPERATING RESULTS FOR THE YEAR (CONTINUED)

Consultants and professional fees increased to $3.2 million, an increase of 68% (2015: $1.9 million). The increase in the current financial year was primarily due to the Group's increased investment in consultants and other professionals as part of the commercial launch of L-Dex in the US.

In addition, the increase in professional fees related to the acquisition of intellectual property from Intersection Medical, Inc. The acquisition included all rights, title, and interest in bioimpedance spectroscopy and other associated technology, which enhanced the Group's intellectual property portfolio and will aid in the strategy to expand the Group's product offerings.

Advertising and promotion expenses were $1.3 million, a nil increase from the prior year (2015: $1.3 million). The spend during the year was primarily related to the launch of the new website, social media and public relations campaign in the US. The advertising and promotion activities during the year drove increased awareness of ImpediMed's technology platform.

Travel expense for the current period increased to $1.6 million, an increase of 45% (2015: $1.1 million). The increase in the current financial year occurred largely in line with the increase in headcount as the Group expanded the US sales and marketing team as part of the full US commercial launch.

Non-cash share-based payment expense increased to $2.5 million, an increase of 39% (2015: $1.8 million). A portion of the increase related to option and performance right grants issued to key management personnel (KMP) and new hires during the current financial year. A primary cause of the increase also stemmed from the increased share price over the comparative period and its effect on the Black Scholes fair value calculations for current year grants.

WEBSITE LAUNCHES

impedimed

impedimed
Non-invasive fluid status and body composition medical technology.

SOZO™

Say hello to SOZO.
The world's first intuitive device that allows you to take control of your health.

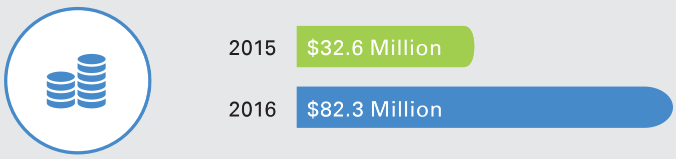
SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

REVIEW OF FINANCIAL CONDITION — LIQUIDITY AND CAPITAL RESOURCES

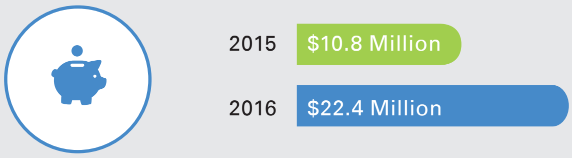
Cash and cash equivalents were $82.3 million at 30 June 2016, an increase of 152% (2015: $32.6 million). Net cash used in operating activities for the period was $22.4 million, an increase of $11.6 million (2015 $10.8 million). The increase was primarily related to the acceleration of the development of the Group's next generation device and the expansion of sales and marketing activities in connection with the full US commercial launch of L-Dex.

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 the operating expenses in the U.S. The spot exchange rate for the beginning of the reporting period was AUD $1.00 to USD $0.766, compared to USD $0.744 at the end of the reporting period. The spot exchange rate for the beginning and end of the comparative period ending 30 June 2015 was AUD $1.00 to USD $0.942 and USD $0.766, respectively.

CASH AND CASH EQUIVALENTS



NET CASH USED IN OPERATING ACTIVITIES



RAISED CAPITAL — SHARE ISSUES DURING THE YEAR

Cash flow from financing activities generated $71.5 million during the period (2015: $30.7 million). The Group completed a Capital Raise through a two tranche private placement ("Placement") and Share Purchase Plan ("SPP") between February - March 2016. Due to the Placement, as well as the allotment of shares from employee options exercised, issued capital increased to $218.8 million at 30 June 2016 (2015: $147.3 million). Total equity increased to $85.3 million at 30 June 2016 (2015: $34.8 million).

Under the Placement, ImpediMed received commitments of $75 million from sophisticated and professional investors to subscribe for 78,947,368 new fully paid ordinary shares in the Company at an issue price of $0.95 per new share. The Placement was completed in two tranches, with Tranche 1 consisting of 44,062,855 new shares issued under ImpediMed's 15% placement capacity in accordance with ASX Listing Rule 7.1. Tranche 2 consisted of 34,884,513 new shares issued after shareholder approval at a general meeting.

RAISED CAPITAL — SHARE ISSUES DURING THE YEAR (CONTINUED)

In addition to the Placement, ImpediMed offered shareholders with registered addresses in Australia and New Zealand the opportunity to subscribe for up to approximately $15,000 in new shares under a Share Purchase Plan (SPP) at an issue price of $0.95 per new share. Under the SPP, ImpediMed raised a further $74,128.50 through a total of 78,030 new shares.

The following outlines the capital raised during the year ended 30 June 2016:

- $71.1 million, net of transaction costs, between February – March 2016 through the issue of 79,025,398 ordinary shares under a Placement and Share Purchase Plan.
  - 44,062,855 ordinary shares on 16 February 2016 in the 1st Tranche of a Private Placement.
  - 34,884,513 ordinary shares on 22 March 2016 in the 2nd Tranche of a Private Placement.
  - 78,030 ordinary shares on 23 March 2016 to existing share-holders under a Share Purchase Plan.
- $0.3 million, net of transaction costs, from August 2015 – June 2016 through the issue of 1,271,233 ordinary shares stemming from employees exercising options.

DYNAMICS OF THE BUSINESS

The Parent and its wholly owned subsidiary, ImpediMed, Inc., are a global provider of medical technology that measures, monitors, and manages fluid status and body composition. These entities generate the bioimpedance spectroscopy (BIS) revenue for the Group through the sale of medical devices and the associated patient assessment consumables.

Using BIS, ImpediMed's proprietary technology sends 256 unique frequencies through the body to assess both intra- and extracellular fluid. By detecting small amounts of fluid changes, it can help health care providers better detect and manage chronic disease in patients and give individuals information to better manage their health.

The BIS technology is currently available for an oncology indication in Australia and in the United States for aid in the early assessment of secondary unilateral lymphoedema of the arm and leg in women and the leg in men.

The primary sales focus during the current year was the sale of the L-Dex U400 device and the associated patient assessment consumables. Customers order patient assessment consumables based on their individual needs and pricing for customers will vary depending upon the purchase price of the device and the number of patient assessment consumables being purchased.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (CONTINUED)

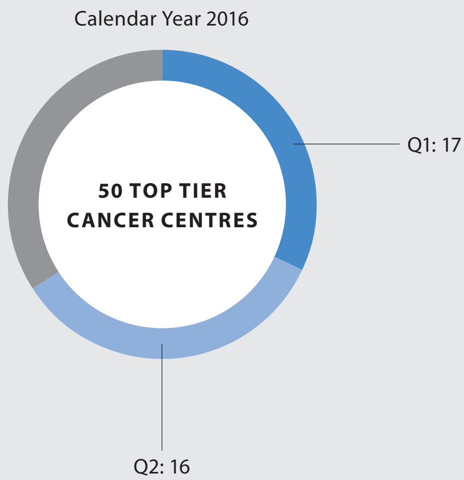
DYNAMICS OF THE BUSINESS (CONTINUED)

Under certain agreements, the Group may retain title to the device and carries it in property, plant and equipment, depreciating the device over three years. As the US marketplace business continues to scale up, the investment in L-Dex U400 devices and other BIS technology is expected to have some impact on the working capital needs of the Group which are expected to be offset by revenue and profitability.

Revenue is generated through the sale of devices and patient assessment consumables in both the oncology and body composition ("wellness") areas of the medical segment, as well as through device sales and service revenue from the test and measurement segment in XiTRON Technologies, Inc.

Financial year 2016 revenue for the Group increased by 21% over the prior financial year, highlighted by the growth in the US oncology market of 60%.

ESTABLISHING LYMPHOEDEMA SURVEILLANCE PROGRAMMES FOR BREAST CANCER PATIENTS IN US



ImpediMed delivered on a number of milestones and made significant progress during the year. These achievements are included on the following page.

Signed Five Year, Multi-Location Clinical Trial Agreement with Mayo Clinic, which will explore future indications for the BIS technology, potentially including cardiology, nephrology, wellness and fitness.

Completed $75.1 Million gross Private Placement and SPP, in order to expand sales and marketing activities for L-Dex, allow for balance sheet flexibility, and pursue the Chronic Heart Failure business.

Established the Medical Advisory Board for Chronic Heart Failure, which will work closely with Laura Mauri, MD, MSc, Chief Scientific Adviser at the Harvard Clinical Research Institute and Professor of Medicine at Harvard Medical School.

Commenced the US Commercial Launch of L-Dex, following a successful targeted launch and pilot program involving six cancer centres.

Announced Lymphoedema's inclusion in the ACS/ASCO Breast Cancer Survivorship Care Guideline. The American Cancer Society and American Society of Clinical Oncology Breast Cancer Survivorship Care Guideline recommends clinicians to focus on the early identification and management of lymphoedema and counsel survivors on how to prevent/reduce the risk of lymphoedema.

Purchased intellectual property from Intersection Medical Incorporated. The purchase includes all rights, title, and interest in bioimpedance spectroscopy and other associated technology related to the field of Chronic Heart Failure.

Announced Lymphoedema's inclusion in the NCCN® Breast Cancer Guidelines. The National Comprehensive Cancer Network® Clinical Practice Guidelines In Oncology (NCCN Guidelines®) for the first time acknowledge lymphoedema as a common complication following treatment for breast cancer.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 11 August 2016, the Group launched SOZO™, the first product on its new population health platform that allows consumers and patients to measure and track their body composition, fluid status and hydration in a variety of settings. SOZO is an intuitive digital health device and wellness platform that combines bioimpedance spectroscopy (BIS) technology with artificial intelligence to create a rapid, non-invasive scan of a person's body providing a precise and repeatable snapshot of a person's body composition, fluid status and hydration. SOZO is available for global pre-order at www.hellosozo.com.

On 10 August 2016, the Group announced that Scripps Health will use the SOZO device in a validation study for monitoring patients with heart failure who are currently being tracked using pulmonary artery pressure monitoring. The validation study will provide real-world data necessary for the final design of the pivotal trial. The study is being led by Dr. J. Thomas Heywood, Director Heart Failure Recovery and Research Program, and Dr. Andrew Accardi, Chairman of Emergency Medicine. Both physicians are members of Scripps Health and ImpediMed's Medical Advisory Board.

On 9 August 2016, the Group announced that the US Food and Drug Administration (FDA) has issued new guidance surrounding digital health. The new FDA draft guidance, "Use of Real-World Evidence to Support Regulatory Decision-Making for Medical Devices" allows manufacturers of medical devices to use Real-World Evidence (RWE) to support their application for submission to FDA for clearance and/or approval. RWE refers to evidence of a product's performance and outcomes in settings outside of clinical trials, such as in hospitals, doctors' offices, and patients' homes. In addition, the FDA released their guidance document "General Wellness: Policy for Low Risk Devices." The policy states that the agency does not intend to examine low risk, general wellness products. General wellness products include devices and software which monitor health information. Devices and apps marketed to promote healthy behaviours have also been exempted by the FDA.

On 8 August 2016, the Group announced changes to its Board of Directors. Dr Michael Panaccio, a long-standing director, retired from the Board of Directors. In addition, Mr David Adams stood down from his position as non-executive Director and member of the Nomination and Audit and Risk Management Committees, to take on an executive role with ImpediMed, as Senior Vice President of Ventures, Licensing and Corporate Development. The Group is also pleased to announce that Mr Gary Goetzke joined the Board of Directors as a non-executive Director. Mr Goetzke has spent 15 years in senior management positions of three medical device companies where he led efforts in pursuing global coverage and payment policy for a variety of medical device therapies in the areas of cardiology, neurology, urology, pelvic health, wound care, orthopaedics, ENT, and sleep. All changes to the Board of Directors were effective 8 August 2016.

On 28 July 2016, the Group announced that it entered into a three-year joint development agreement with Mayo Clinic to advance new solutions for its fluid status and body composition monitoring technology in additional disease indications. Under the agreement, Mayo Clinic and ImpediMed will jointly develop new product solutions to address the needs of patients with chronic diseases while also improving the quality, outcomes and costs of patient care.

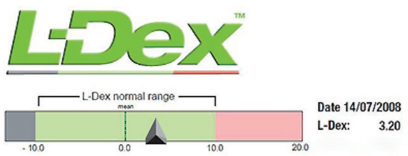
On 20 July 2016, the Group announced a partnership with Redox to expand the capabilities of electronic health record (EHR) integration for ImpediMed's next generation medical device. Through Redox's modern application programming interface (API) for EHR integration, the Group will look to streamline the interoperability of its device with multiple EHR vendors to create a user-friendly and data rich technology solution.

On 18 July 2016, the Group announced a partnership with Vanderbilt University for a series of patient and clinician human factors testing for the company's next generation technology platform. The university's unique ability to recreate the user experience in both clinical and at-home settings makes it an ideal partner for this project.

On 12 July 2016, the Centers for Medicare and Medicaid Services (CMS) published the proposed outpatient payment rates for calendar year 2017. Under the proposal, CMS has increased the payment rate for code 93702 when billed by a hospital outpatient facility to $US 127.42, an increase of 13.1%. Final payment rates will be released in November 2016, and the new rates will become effective 1 January 2017.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The following are likely developments in the business of the Group expected to impact its financial results in the near-term:



US COMMERCIAL LAUNCH OF L-DEX

The Group announced the US Commercial launch of L-Dex in December 2015 and has already announced initial positive results through the first-half of the 2016 calendar year. The Group has already sold and trained 33 of the targeted 50 top-tier cancer centre accounts in the first-half of the calendar year.

The Group expects to continue the US Commercial launch of L-Dex, targeting comprehensive breast cancer screening programs for leading NCCN Alliance Cancer Centres. Establishing an integrated presence in additional target sites will involve beginning with breast cancer lymphoedema screening (NCCN Guidelines), then integrating into Electronic Health Records, and finally establishing a complete care pathway for preclinical lymphoedema detection, education, follow-up, and treatment.

In calendar year 2017, the Group will look to expand adoption in the established top-tier cancer centres and add an additional 50 top-tier accounts.

Calendar year 2017 will also entail milestones in the Group's goal of establishing L-Dex as a standard of care: The first published data from the post approval study is expected to occur, which should help to drive adoption and private payor coverage. In addition, private payors may begin to cover, and the Group may apply to NCCN for specific inclusion of ImpediMed's BIS technology in cancer guidelines.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS (CONTINUED)

NEXT GENERATION BIS TECHNOLOGY — SIMPLE AND SOPHISTICATED TOOL

The Group will continue to research and identify additional applications for BIS technology in a number of other diseases. In particular, the Group will continue to make advancements in the creation of SOZO, a next generation BIS Technology product that will provide a highly accurate, true whole body measurement, allowing for complete and accurate BIS measurements. SOZO is based on a human-centered design, with a simple yet elegant physical interface, and is built for the user interface.

The Group made a number of key announcements during the current year as it identified Chronic Heart Failure as a potential, additional application for the BIS technology. These started with the announcement of the purchase of intellectual property from Intersection Medical, Inc. and extended to signing an agreement with the Harvard Clinical Research Institute and the establishment of the Medical Advisory Board for CHF. The Group will look to advance enrolment and completion of a CHF trial and 510(k) process.

In addition, during the period, the Group signed a five-year, multi-location clinical trial agreement with Mayo Clinic that will explore future indications for the Group's BIS technology. Subsequent to balance date, the Group announced a three-year joint development agreement with Mayo Clinic, that will build on the Group's strong relationship with Mayo Clinic by working to jointly develop new product solutions to address the needs of patients with chronic diseases while also improving the quality, outcomes and costs of patient care.

EXPECTED RESULTS

The Group expects revenue to continue to grow as a result of the continued adoption of its technology by customers and the full commercial launch.

The Group expects to continue to generate a net loss in financial year 2017 while it focuses on the acceleration of a next generation device, the expansion of its position in the US oncology market through continued investment in the sales and marketing initiatives associated with the full commercial launch and the advancement of the five-year multi-centre clinical trial. The Group expects to fund these losses with current cash and cash equivalents.

SIGNIFICANT RISKS TO THE BUSINESS

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

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

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

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

- The availability of capital resources
- The retention and hiring of key personnel
- The strength of the Group's Intellectual Property portfolio
- The progress and/or outcome of clinical trials
- The adoption of our technology

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

In assessing the availability of capital resources, the Group is continuing to manage its cash position carefully under its operating plan and longer-term strategic plan. The Group may raise additional capital if needed.

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

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

SIGNIFICANT RISKS TO THE BUSINESS (CONTINUED)

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

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

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

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Group's activities are subject to licences and regulations under environmental laws that apply in the jurisdictions of its operations. These licenses specify limits for and regulate the management of moving to components free of hazardous substances. The Group is supporting the global move towards components free of hazardous substances in its device electronics and is working with its contract manufacturers to identify replacement parts, where necessary, to substitute into its device designs.

There have been no significant known breaches of the license conditions or other environmental regulations.

ImpediMed has an environmental health and safety management system, which includes regular monitoring, periodic auditing and reporting within the Group. The system is designed to continually improve ImpediMed's performance and systems with training, regular review, improvement plans and corrective action as priorities.

SHARE OPTIONS

Details of options granted to key management personnel and exercised during the year are set out in the Remuneration Report.

UNISSUED SHARES

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

	24 AUG 2016	30 JUN 16
EIP Options (i)	11,035,500	11,308,000
ESOP options (ii)	17,109,564	17,401,232
Total options	28,145,064	28,709,232
EIP performance rights	2,775,000	2,760,000
Total performance rights	2,775,000	2,760,000
	30,920,064	31,469,232

(i) 375,000 share options and 175,000 performance rights were issued under the EIP in August 2016, of which nil options related to KMP in place as of the end of the current financial year. The movement in the balance since the end of the financial year also relates to the exercise and forfeiture of employee options for individuals that have left the Group.

(ii) 7,252,561 options were issued to the CEO in financial year 2013 as part of his hiring package. These options were issued outside of the ESOP plan but are now listed together as no additional options will be issued under the ESOP. The movement in the balance since the end of the financial year relates to the forfeiture of employee options for individuals that have left the Group.

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

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

During the financial year, 1,259,357 ESOP options (2015: 387,548) and 11,876 EIP options (2015: nil) were exercised. Refer to Note 18 of the financial statement for further details of option exercised during the year.

During the financial year, 379,790 ESOP options (2015: 394,968) and 922,124 EIP options (2015: 50,000) were forfeited; 206,828 ESOP options (2015: 200,143) and nil EIP options (2015: nil) expired. Refer to Note 18 of the financial statements for further details of options forfeited or expired during the year.

SHARES ISSUED AS A RESULT OF EXERCISE OF OPTIONS

During the financial year, KMP and employees exercised options to acquire 1,271,233 fully paid ordinary shares in ImpediMed Limited at a weighted average exercise price of $0.27 per share.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group insured its Directors, Secretary and executive officers for the financial year ended 30 June 2016 and bound coverage for financial year 2017. Under the Group's Directors' and Officers' Liability Insurance Policy, the Group cannot release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium.

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

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

INDEMNIFICATION OF AUDITORS

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

EMPLOYEES

As at 30 June 2016, ImpediMed and its subsidiaries had a total of 56 full and part-time employees (2015: 43 employees).

DIVERSITY

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

The Board adopted an updated Diversity Policy on 8 May 2015. The Board has the role of overseeing the implementation of this policy and assessing progress in achieving its objectives.

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

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

IMPEDIMED'S COMMITMENT TO WORKPLACE DIVERSITY

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

DETAILS OF THE NUMBER OF MANAGEMENT LEVEL FEMALES OF THE GROUP AS OF:

Level	30 JUN 16		30 JUN 15	
	Female	Total	Female	Total
Board of Directors	2	6	1	6
Executives	2	7	1	5
Senior Managers	8	14	5	9

CORPORATE GOVERNANCE

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

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

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

REMUNERATION REPORT

Dear Shareholder,

We are pleased to provide an improved Remuneration Report for financial year 2016. We acknowledge the shareholder dissatisfaction with our financial year 2015 Remuneration Report. More than 25% of eligible shareholders voted "no" in respect of Resolution 2 (Approval of the Remuneration Report) at the 2015 AGM.

Should more than 25% of eligible shareholders vote against the resolution this year, then we will incur a 'second strike', which could lead to a Board spill. This would be disruptive and costly to our business. We have received your message and have endeavoured to address shareholder concerns with diligence. We believe and trust that the work undertaken by your Board and its Remuneration Committee over the past year will address the issues and concerns related to our 2015 Remuneration Report.

Having received a 'first strike' against our Remuneration Report at last year's AGM, the Remuneration Committee has listened to feedback from investors, and with the assistance of external remuneration consultants, conducted a complete review of the Group's remuneration framework. As a result of this review, the Remuneration Committee and Board have made a number of changes to the remuneration framework that will apply for the 2017 financial year (FY17). The key changes for FY17 are outlined in Section 1 of the Remuneration Report.

We are and have always been strongly committed to communicating Board and executive Key Management Personnel ("KMP") remuneration arrangements in a clear, simple and transparent manner, but understand that our last year's Remuneration Report failed to deliver clarity in some aspects of disclosure. In response to this, we have undertaken an extensive review process and redesigned our report format. We trust our redesigned report format illustrates our commitment to clarity and continuous quality improvement in remuneration disclosure.

ImpediMed is at an exciting stage of its development. We are proud that the Group is nimble and that management can rapidly adjust the focus of the organization to address new challenges and opportunities. ImpediMed operates in a highly competitive market characterised by limited talent in highly specialised areas such as medicine, medical technology, mechanical, electrical and software engineering, clinical research, medical sales, health economics, reimbursement, medical device sales and marketing. Our remuneration framework is designed to attract, engage, motivate and retain the key talent necessary to achieve our goals and create value for our shareholders.

We assure you that the responsibility for governance in remuneration lies with the Board supported by the Remuneration Committee. The Board is committed to ensure that the Group's remuneration policies and practices are fair, competitive and responsible and that we communicate the remuneration arrangements with clarity. We are also aware that executive KMP remuneration practices are continually evolving and therefore our practices remain under constant review. We look forward to the year ahead and we are grateful for your continued support.

Scott R. Ward
Non-executive Director
Remuneration Committee

Cherrell Hirst AO
Non-executive Chairman

REMUNERATION REPORT (AUDITED)

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

The report is structured into the following sections:

CONTENTS

Section 1	Key issues raised regarding the 2015 Remuneration Report
Section 2	Key Management Personnel
Section 3	Remuneration Governance
Section 4	Consequences of performance on shareholder value
Section 5	Remuneration philosophy and strategy
Section 6	Remuneration of Non-Executive Directors (NEDs)
Section 7	Remuneration of Executives
Section 8	Executive contractual arrangements
Section 9	Managing Director and CEO remuneration
Section 10	Statutory tables
Section 11	Peer Group List

1. KEY ISSUES RAISED REGARDING THE 2015 REMUNERATION REPORT

Having received a 'first strike' against the 2015 Remuneration Report, the Board has taken feedback from shareholders and proxy advisors seriously.

Set out below is a summary of the Board's responses to the key issues raised by some shareholders and proxy advisors in relation to the 2015 Remuneration Report.

ISSUE RAISED	RESPONSE
Total Fixed Remuneration (TFR) High increase in MD & CEO fixed remuneration	Prior to the 2015 Annual General Meeting (AGM), the MD & CEO received a 7% increase in fixed remuneration for the 2016 financial year. The Board approved the Remuneration Committee's recommendation to increase Mr. Carreon's fixed remuneration based upon his performance and results of an external benchmarking exercise that revealed his compensation warranted adjustment. More detail is provided in this Report in relation to the benchmarking comparator group.
Short-term Incentives (STI) Short performance period Lack of disclosure of STI performance conditions	In the year ended 30 June 2015, STIs were assessed over two separate and distinct six (6) month periods. The short performance period was chosen to accommodate possible changes to the Group's operating plan which may have been required to respond to external factors which may have impacted the organizations objectives during a dynamic period following the U.S. commercial launch of its product for the treatment of Lymphoedema. This was an exception to our normal practice. As in previous years, and from 1 July 2015 onwards, performance against STI targets is measured over a 12-month period. More explicit and transparent disclosure has been provided in this Report in relation to the STI performance measures and the Group's performance against these measures.
Long-term Incentives (LTI) Lack of disclosure of Employee Incentive Plan (EIP) terms Short vesting period Automatic vesting on change of control	More detail has been provided in this Report in relation to the terms of the Employee Incentive Plan (EIP). The Board has agreed that Options will vest annually (instead of monthly) over a four (4) year period and Performance Rights will vest at the end of a three (3) year performance period. Clarification has been provided in this Report in relation to the change of control provisions. The Board may have overriding discretion on any vesting that may occur on a change of control.

ISSUE RAISED	RESPONSE
Other	In addition to the above, the Board believes the following improvements to the Remuneration framework will further align ImpediMed's remuneration framework with the overall business strategy and contribute to shareholder value. • The at-risk remuneration mix for KMP will shift to a greater proportion of performance based remuneration, in line with US and Australian market practice. • LTI hurdles for FY17 will focus on measures that will support the Group's long-term business strategy and create shareholder value. In FY17, the performance hurdles will include a minimum of three strategic measures. The measures will be subject to the achievement of key strategic objectives. It is the Remuneration Committee's intention to consider including a shareholder return metric as one performance measure in future years. Further details regarding the strategic measures will be included in the 2017 Remuneration Report. • A clawback policy has been introduced which provides the Board with the discretion to claw back all variable pay in the event of fraud or misstatement. • A minimum shareholding requirement has been introduced for KMP and NEDs.

2. KEY MANAGEMENT PERSONNEL

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

DIRECTORS

Cherrell Hirst AO	Chairman
David Adams	Non-executive Director (resigned August 2016)
Elizabeth Gaines	Non-executive Director (appointed March 2016)
Gary Goetzke	Non-executive Director (appointed August 2016)
Jim Hazel	Non-executive Director (retired March 2016)
Michael Panaccio	Non-executive Director (retired August 2016)
Scott R. Ward	Non-executive Director
Richard Carreon	Managing Director and CEO

EXECUTIVES

Morten Vigeland	Chief Financial Officer
Jack Cosentino	Chief Strategy Officer (appointed November 2015)
David Adams	Senior Vice President Ventures, Licensing and Corporate Development (appointed August 2016)
Ann Holder	Senior Vice President General Management & Operations (appointed July 2015)
Catherine Kingsford	Senior Vice President Medical Affairs
Dennis Schlaht	Senior Vice President Quality, R&D and Technology
Michael Schreiber	Vice President Global Commercialisation

Frank Vicini, MD, Chief Medical Officer, is not considered part of the KMP for financial statement purposes. Michael Schreiber left the Group in July 2016. There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

3. REMUNERATION GOVERNANCE

3.1. ROLE OF THE REMUNERATION COMMITTEE

The Remuneration Committee of the Board of Directors of the Group is responsible for making recommendations to the Board on the remuneration arrangements for each of the Non-Executive Directors (NED), Executive Directors (ED), the MD & CEO and executives reporting to the MD & CEO.

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

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

- Scott R. Ward (Chair since October 2015)
- Elizabeth Gaines (Appointed to committee August 2016)
- Cherrell Hirst AO

Michael Panaccio was also a member of the Remuneration Committee throughout the 2016 financial year and through to his retirement in August 2016.

The primary responsibilities of the Remuneration Committee are to:

- Recommend to the Board of Directors the amount and form of compensation to be paid to the Chief Executive Officer and the at risk component based on his performance.
- Review the CEO's recommendations of the amount and form of compensation to be paid to the executives reporting to the CEO and the at risk component based on their performance.
- Exercise oversight of the remuneration philosophy, plans and practices for all other employees.
- Exercise oversight and recommend to the Board of Directors any compensation pursuant to the Group's equity compensation plans.
- Recommend to the Board of Directors the amount of and form of compensation arrangements for NEDs and EDs.

3.2. SERVICES FROM REMUNERATION CONSULTANTS

In November 2015, the Remuneration Committee engaged KPMG to conduct a review of ImpediMed's remuneration framework in the context of the Australian and US markets. The engagement of KPMG was undertaken directly by the Board, independent of management, and based on an agreed set of protocols governing the manner in which the engagement would be developed by KPMG and provided to the Board. The work undertaken by KPMG in 2016 did not constitute a remuneration recommendation for the purposes of the Corporations Act 2001.

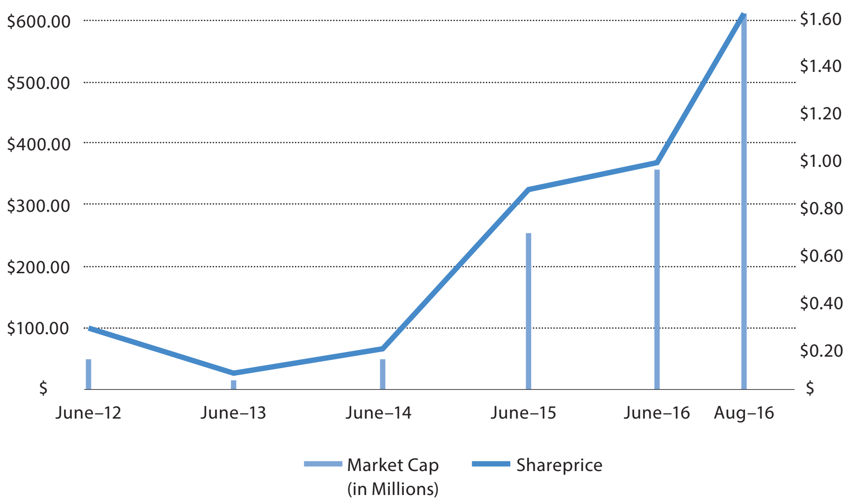
The Remuneration Committee continued to work with David Ness, a remuneration consultant based in the US, to provide benchmarking information for the US based executives. The remuneration consultant was paid $6,000 (2015: $9,000) for his work. The Board is satisfied that the remuneration recommendation was made free from undue influence by any member of the KMP, as the work was overseen by the Remuneration Committee.

4. CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER VALUE

ImpediMed Limited has operated as a listed public company since October 2007 and was added to the S&P/ASX300 in March 2015. The Group is building revenue in its core medical business and has yet to achieve profitability. While the Remuneration Committee gives regard to the following indices in respect of the current and prior financial years, KMP remuneration is not directly linked to these indices but rather to building the elements necessary to create shareholder wealth through acceptance and use of the Group's products. The increase in share price and market capitalisation over the five (5) year period reflects the success the Group has had in this regard.

AMOUNT ($)	2016	2015	2014	2013	2012
Net loss attributable to equity holders of the parent entity (000's)	$(25,980)	$(14,797)	$(7,935)	$(8,464)	$(12,342)
Dividends paid	nil	nil	nil	nil	nil
Share price at 30 June	$0.95	$0.87	$0.19	$0.09	$0.26
Change in share price	9%	358%	111%	(65)%	(52)%
Market Cap (million's)	$352.5	$253.7	$45.4	$16.3	$47.1

SHAREHOLDER VALUE (through reporting date)



5. REMUNERATION PHILOSOPHY AND STRATEGY

The Remuneration Committee reviews the remuneration philosophy and strategy and makes recommendations to the Board regarding the remuneration arrangements for Directors and certain Executives. ImpediMed's remuneration philosophy and strategy is designed to attract, motivate and retain employees, EDs and NEDs in Australia and the US by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

The remuneration philosophy at ImpediMed targets fixed remuneration at the median of its US peers and variable compensation above the median for exceptional performance. In order to determine executive compensation, the Remuneration Committee uses benchmarking data from a peer group of comparable companies and reviews the pay plans and practices of other relevant companies. When considering companies for ImpediMed's peer group, the Remuneration Committee considers companies that are similar in size (i.e., revenue, market capitalisation and employee numbers), scope and complexity; operate in similar or related businesses to the Group; and, may compete with ImpediMed for key talent (e.g., companies based in southern California and the west coast of the US). The peer group is reviewed on a regular basis.

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

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

- Align remuneration with the Group's business strategy and compensation philosophy;
- Offer an attractive mix of remuneration benchmarked against the peer group;
- Provide strong linkage between individual and Group performance and rewards;
- Offer remuneration based on internal equity with other employees' and individual's skills matching the role requirements with their experience and responsibilities;
- Align the interests of executives and shareholders and share the success of the Group with the employees; and
- Support the corporate mission statement, values and policies through the approach of recruiting, organising and managing people.

6. REMUNERATION OF NON-EXECUTIVE DIRECTORS (NEDS)

The Remuneration Committee considers the level of remuneration required to attract and retain Directors with the necessary skills and experience for the Group's board. This remuneration is reviewed annually with regard to market practice and Director duties and accountability.

NED fees are determined within an aggregate Directors' fee pool, approved by shareholders at the annual general meeting (AGM). The maximum aggregate remuneration approved for NEDs was $800,000 as approved by shareholders in 2015. The increase in the fee pool from $600,000 in 2015 provides greater capacity to appoint additional NEDs and allows for fluctuations in the Australian and US dollar to be taken into account as Board members are paid the per annum fee in the currency of the country within which they reside. There had been no previous increase in the fee pool since listing in 2007.

The sum of NEDs' fees paid in 2016 was $478,947 (2015: $445,081). The fee for the Chairman of the Board is $140,000 per annum. The base fee for other Directors is $60,000 per annum. In addition, committee Chair's receive an additional fee of $15,000 per annum. This fee structure has not changed since October 2012, and no increase in Director's fees is planned for fiscal 2017.

Table 10.1 shows individual Director fees paid during the year ended 30 June 2016.

SHAREHOLDING OF DIRECTORS

During 2016, a minimum shareholding for NEDs of one year's post-tax Board fees was introduced. Prior to the introduction of that policy, NEDs voluntarily acquired shares on market. NEDs of ImpediMed have never been issued shares or options in the Group as part of any equity plan.

Table 10.4 shows the movement in ordinary shareholdings of Directors during the year ended 30 June 2016. All NEDs, with the exception of those appointed during the year or through the reporting date, meet those requirements. Elizabeth Gaines was appointed in March 2016 and Gary Goetzke was appointed in August 2016.

7. REMUNERATION OF EXECUTIVES

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

As described in Section 5, the framework for executive remuneration at ImpediMed is based upon a Remuneration philosophy and strategy established by the Remuneration Committee and approved by the Board of Directors. The Remuneration Committee uses benchmarking data from a peer group of comparable companies and reviews the pay plans and practices of other relevant companies. When considering companies for ImpediMed's peer group, the Remuneration Committee considers companies that: are similar in size (i.e., revenue, market capitalisation and employee numbers), scope and complexity; operate in similar or related businesses to the Group ; and, may compete with ImpediMed for key talent (e.g., companies based in southern California and the west coast of the US).

The Group targets its fixed remuneration at the median of its US peers and variable compensation above the median for exceptional performance.

In the financial year ended 30 June 2016, the remuneration structure for KMP and employees consisted of the following elements.

COMPONENT	PERFORMANCE MEASURE	STRATEGIC OBJECTIVES AND LINK TO PERFORMANCE
Fixed Remuneration: Base salary, superannuation, employee health benefits and any salary sacrificed benefits.	The fixed remuneration is not performance related. It is set having regard for: • Experience and qualifications of the individual • Responsibilities and criticality of role • Remuneration paid to similar roles by Australian and US competitors	• Offer an attractive mix of remuneration benchmarked against the applicable market's region and country practices.
Short Term Incentive (STI): Cash based incentive awarded for the achievement of ImpediMed's Operating Plan objectives measured over a one-year performance period.	Financial KPIs (55%): • Total Revenue • Total L-Dex® Revenue • EBITDA Non-financial KPIs (45%): • Corporate objectives, including: - Clinical trial enrolment - The key new product development milestone - Progress against US Commercial LE roll out plan - Develop Long Term Strategic Plan	• Align remuneration with the Group's business strategy • Align the interests of executives and shareholders and share the success of the Group with the employees; and • Provide strong linkage between individual and Group performance and rewards • To attract and retain the key talent needed to deliver on our corporate objectives and strategic plan
Long Term Incentive (LTI) Equity based incentive, comprising a mix of Options and Performance Rights for Group performance over the long term.	• Options vest subject to the participant remaining in employment with ImpediMed over a four (4) year period. • Performance Rights vest subject to the participant remaining in employment with ImpediMed for a three (3) year period. - Develop Long Term Strategic Plan	

7.1. FIXED REMUNERATION

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

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

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

7. REMUNERATION OF EXECUTIVES (CONTINUED)

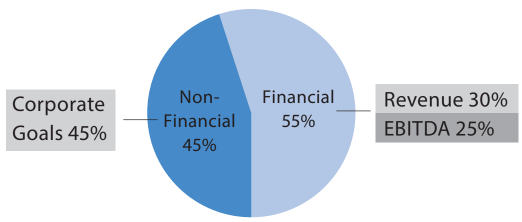
7.2. SHORT-TERM INCENTIVE (STI)

The STI plan is a cash based incentive which is awarded based on short term performance. In the financial year ended 30 June 2016, the STI Plan focused solely on Group performance and did not include any components related to team or individual performance. The remuneration philosophy at ImpediMed targets variable compensation above the median for exceptional performance and the STI aims to encourage performance over and above what is expected as part of the ordinary course of business.

The key features of the STI plan for the financial year ended 30 June 2016 are outlined on the following page.

<table>
<tr><td>Participants</td><td>KMP and other selected employees</td></tr>
<tr><td>Award type</td><td>Cash</td></tr>
<tr><td>Opportunity</td><td>
In July 2015, the Board approved the Remuneration Committee's recommendation to increase the target STI opportunity from 50% to 60% for the Chief Executive Officer and from 35% to 40% for other KMP for FY16. These increases were strictly based on realigning the KMP's remuneration with the median of the peer group benchmark.
The value of the target STI opportunity for FY16 has been expressed as a percentage of Total Fixed Remuneration (TFR) in the table below.
<table>
<tr><th>KMP</th><th>Target STI</th></tr>
<tr><td>MD & CEO</td><td>60%</td></tr>
<tr><td>CFO</td><td>40%</td></tr>
<tr><td>CSO</td><td>40%</td></tr>
<tr><td>SVP General Manager & Operations</td><td>40%</td></tr>
<tr><td>SVP Medical Affairs</td><td>40%</td></tr>
<tr><td>SVP Quality, R&D and Technology</td><td>40%</td></tr>
<tr><td>VP Global Commercialisation</td><td>35%</td></tr>
</table>
Actual STI payments awarded depend on the extent to which specific key performance indicator (KPI) targets are achieved, as follows:

Threshold performance – 50% of target opportunity
At target performance – 100% of target opportunity
Maximum performance – 150% of target opportunity

Threshold performance is the minimum level of performance required to earn any STI.
Targets are set with a level of 'stretch' built in, and therefore, maximum STI is only achieved in respect of exceptional performance.
</td></tr>
<tr><td>Performance period</td><td>The performance period is 12 months.</td></tr>
<tr><td>Performance conditions</td><td>
For the financial year ended 30 June 2016, the KPIs for KMP included:


Additional detail is provided at section [7.2.1]]
</td></tr>
</table>

7. REMUNERATION OF EXECUTIVES (CONTINUED)

7.2.1. STI PERFORMANCE CONDITIONS AND OUTCOMES

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

For the year ended 30 June 2016, all KMP had common KPIs.

KPI	LINK TO IMPROVED COMPANY PERFORMANCE	WEIGHTING	KEY ACHIEVEMENTS & KPI OUTCOMES
Revenue	Revenue growth is key to company performance and will lead to shareholder return.	30%	L-Dex revenue increased 64% to $3.3M (2015: $2.0M), primarily due to continued adoption of the technology by key accounts as part of the US commercial launch. Total Revenue increased 21% to $5.8M (2015: $4.8M). The revenue components were measured on a functional basis for the STI. KPI Assessment: Between target and maximum performance achieved.
EBITDA	Currently for the Group, meeting corporate objectives, while controlling EBITDA based upon a set Operating Plan, is essential for short to medium-term success of the Group.	25%	The Group EBITDA was ($28.5M). The Group made significant progress on key objectives within Operating Plan EBITDA. The EBITDA component was measured on a functional basis for the STI. KPI Assessment: Maximum performance exceeded.
Corporate objectives: • Clinical trial enrolment • The key new product development milestone • Progress against US Commercial LE roll out plan • Long-term Strategic Plan approval	These performance conditions were selected because their achievement in the defined time frame is critical to (a) increased adoption of L-Dex and private payer reimbursement in the US, (b) expansion in body composition and new applications.	45%	US Commercial launch of L-Dex announced; product development and Lymphoedema Clinical Trial continuing progress; long-term strategic plan approved by the Board. KPI Assessment: Between threshold and maximum performance achieved for the various objectives.

7.2.2. STI OUTCOMES

US based executives are paid in (USD$), listed below is their USD payouts.

KMP	TARGET STI OPPORTUNITY USD	STI OUTCOME USD	TARGET STI OPPORTUNITY AUD	STI OUTCOME AUD	% ACHIEVED
Richard Carreon MD & CEO	$270,240	$283,117	$371,081	$388,763	104.77%
Morten Vigeland CFO	$122,960	$128,819	$168,843	$176,888	104.77%
Jack Cosentino (i)(ii) CSO	$71,867	$75,291	$98,685	$103,386	104.77%
Ann Holder (ii) SVP General Manager & Operations	$112,000	$117,337	$153,793	$161,122	104.77%
Catherine Kingsford SVP Medical Affairs	$108,560	$113,733	$149,070	$156,173	104.77%
Dennis Schlaht SVP Quality, R&D and Technology	$108,560	$113,733	$149,070	$156,173	104.77%
Michael Schreiber VP Global Commercialisation	$89,250	$89,250	$122,554	$122,554	100%

(i) Employee was hired in November 2015 and received a prorated portion of the total annual STI opportunity based upon the portion of the year worked.

(ii) Excludes sign-on incentives.

7. REMUNERATION OF EXECUTIVES (CONTINUED)

7.3. LONG-TERM INCENTIVE (LTI)

The Board offers LTIs to reward the performance of KMP in alignment with shareholders' interests and the long term benefit of the Group.

The key features of the LTI plan have been outlined below.

Participants	KMP, and other selected employees and consultants, at the discretion of the Board.
Award type	LTI awards made after 30 October 2014 were issued under the Employee Incentive Plan (EIP) in the form of Options and Performance Rights. For financial year 2016 there were 512,500 options and no Performance Rights awarded to the CEO. Each Option entitles the holder to one fully paid ordinary share of ImpediMed Limited at an exercise price based on the five (5) day Volume Weighted Average Price (VWAP) at close of business when granted. Each Performance Right entitles the holder to one fully paid ordinary share of ImpediMed Limited for nil consideration.
Opportunity	The value of the LTI awards have been expressed as a percentage of TFR in the table below.

KMP	LTI OPPORTUNITY
MD & CEO	72%
CFO	43%
CSO[1]	202%
SVP General Manager & Operations (i)	182%
SVP Medical Affairs	36%
SVP Quality, R&D and Technology	27%
VP Global Commercialisation	23%

(i) CSO and SVP General Manager & Operations were hired during the year and their LTI opportunity reflect the initial LTI grant at time of hire.

Performance period	For LTI awarded in the year ended 30 June 2016: • For KMP hired during the year, one-quarter of the Options cliff vest after one year and the remaining Options vest monthly in equal portions over the remaining three (3) year period; for all other KMP, Options vest monthly in equal portions over a four (4) year period; and • Performance Rights vest after three (3) years. For LTI to be awarded in the year ended 30 June 2017, monthly vesting of Options granted under the EIP will be removed, such that Options will vest annually over four (4) years and Performance Rights will vest at the end of a three (3) year performance period.
Performance hurdles	For LTI awarded in the year ended 30 June 2016, vesting of Options and Performance Rights is contingent on the participant remaining in employment. There were no additional performance hurdles. For LTI to be awarded in the year ended 30 June 2017, the Board will revise the existing performance hurdles to increase the focus on supporting the Group's long-term business strategy and shareholder value. In FY17, the performance hurdles will include a minimum of three strategic measures. The measures will be subject to the achievement of key strategic objectives. It is the Remuneration Committee's intention to consider including a shareholder return metric as one performance measure in future years. Further details regarding the strategic measures will be included in the 2017 Remuneration Report.
Treatment of dividends on unvested awards	The LTI instruments do not carry dividend or voting rights prior to vesting.
Leaver provisions	Where a participant ceases employment prior to vesting, the award is forfeited unless the Board applies its discretion to allow vesting at, or post, cessation of employment.
Clawback provisions	The Board has introduced a clawback policy which provides the Board discretion to clawback variable pay of LTI participants in the event of a serious misconduct or fraud by the employee or other specific events.
Change of Control	In a situation where there is likely to be a change of control of the Group, the Board may have the discretion to determine whether some, none or all of the LTI instruments will vest.

7. REMUNERATION OF EXECUTIVES (CONTINUED)

7.4. MINIMUM SHAREHOLDING REQUIREMENT

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

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

ImpediMed NED's are required to purchase ImpediMed shares, in accordance with the Group's Share Trading Policy, to meet the minimum shareholding requirement within five years of appointment to the ImpediMed Board.

The minimum shareholding requirement for NED's is equal to the value of one year's base fee (excluding committee fees) after tax. All NEDs, with the exception of Elizabeth Gaines (appointed March 2016) and Gary Goetzke (appointed August 2016), meet those requirements.

8. EXECUTIVE CONTRACTUAL ARRANGEMENTS

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

	NOTICE PERIOD	PAYMENT IN LIEU OF NOTICE (i)	TREATMENT OF STI AND LTI ON TERMINATION (ii)
Managing Director			
R Carreon	12 months	12 months (iii)	Unvested awards forfeited
Executives			
M Vigeland	9 months	9 months	Unvested awards forfeited
J Cosentino	9 months	9 months	Unvested awards forfeited
A Holder	9 months	9 months	Unvested awards forfeited
C Kingsford	6 months	6 months	Unvested awards forfeited
D Schlaht	6 months	6 months	Unvested awards forfeited
M Schreiber	6 months	6 months	Unvested awards forfeited

(i) Payments are made in lieu of notice only if employment comes to an end for reasons other than resignation or termination with cause.

(ii) Employment through the end of the financial year is required for the award of STI incentives, unless changed at the discretion of the Board.

(iii) Payment includes health and dental insurance coverage paid on his behalf during the notice period.

9. MANAGING DIRECTOR & CEO REMUNERATION

Mr Carreon's fixed remuneration at 30 June 2016 was USD $450,400 (2015: USD $420,000) plus non-monetary health benefits. For the 2016 financial year, the Board approved the Remuneration Committee's recommendation to increase Mr Carreon's fixed remuneration based on the external benchmarking undertaken during the year.

Mr Carreon's STI performance conditions and outcomes have been detailed at section 7.2.1 and 7.2.2.

During the 2016 financial year, the Board issued 512,500 options to Mr Carreon at an exercise price of $1.00 per option under the EIP.

The Options were approved by shareholders at the 2015 AGM and subsequently granted on 3 November 2015 as part of the annual employee grant and consisted of non-statutory stock options (NSO). Subject in all cases to continuous employment with the Group, during the 48-month period after the date of grant, the options will incrementally vest on each monthly anniversary of the date of grant in an amount equal to the product of 1/48th multiplied by the number of total options granted above.

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

During the 2016 financial year, no additional options or performance rights were issued to Mr Carreon.

10. STATUTORY TABLES

10.1. REMUNERATION OF KMP FOR THE YEARS ENDED 30 JUNE 2015 AND 30 JUNE 2016

30 JUN 16 (i)	SHORT-TERM			POST-EMPLOYMENT	SHARE BASED	TERMINATION PAYMENTS	TOTAL	PERFORMANCE RELATED	
	Salaries & Fees	STI Awards	Non-Monetary (ii)	Super-Annuation	LTI Awards	Severance		STI	LTI
	$	$	$	$	$	$	$	%	%
Directors									
C Hirst	140,000	-	-	13,300	-	-	153,300	-	-
D Adams (iv)	82,380	-	-	-	-	-	82,380	-	-
E Gaines (v)	25,000	-	-	2,375	-	-	27,375	-	-
J Hazel (vi)	50,000	-	-	4,750	-	-	54,750	-	-
M Panaccio	64,881	-	-	-	-	-	64,881	-	-
S Ward (iv)	96,261	-	-	-	-	-	96,261	-	-
R Carreon (iv)	618,469	388,763	19,800	17,137	715,665	–	1,759,834	22	41
Executives									
M Vigeland (iv)	422,108	176,888	20,731	16,884	275,937	–	912,548	19	30
J Cosentino (iv) (vii)	248,312	381,450	16,808	1,922	148,971	–	797,463	48	19
A Holder (iv) (vii)	384,483	217,421	21,531	8,490	199,379	–	831,304	26	24
C Kingsford (iv)	372,674	156,173	19,971	14,907	233,855	–	797,580	20	29
D Schlaht (iv)	372,674	156,173	28,250	10,560	174,176	–	741,833	21	23
M Schreiber (iv) (ix)	352,901	122,554	26,922	3,529	150,700	264,676	921,282	13	16
	3,230,143	**1,599,422**	**154,013**	**93,854**	**1,898,683**	**264,676**	**7,240,791**		

30 JUN 15	SHORT-TERM			POST-EMPLOYMENT	SHARE BASED	TOTAL	PERFORMANCE RELATED	
	Salaries & Fees	STI Awards	Non-Monetary (ii)	Super-Annuation	LTI Awards (iii)		STI	LTI
	$	$	$	$	$	$	%	%
Directors								
C Hirst	140,000	-	-	4,827	-	144,827	-	-
D Adams (iv)	71,564	-	-	-	-	71,564	-	-
J Hazel (vi)	75,000	-	-	7,125	-	82,125	-	-
M Panaccio	75,000	-	-	-	-	75,000	-	-
S Ward (iv)	71,564	-	-	-	-	71,564	-	-
R Carreon (iv) (viii)	484,047	440,952	15,750	18,196	719,177	1,678,122	26	43
Executives								
M Vigeland (iv)	331,374	260,967	16,713	13,255	249,989	872,298	30	29
C Kingsford (iv)	314,741	206,525	15,997	12,590	200,517	750,370	28	27
D Schlaht (iv)	311,256	201,501	22,763	10,889	155,149	701,558	29	22
M Schreiber (iv) (ix)	304,696	191,791	21,575	3,286	129,198	650,546	29	20
	2,179,242	**1,301,736**	**92,798**	**70,168**	**1,454,030**	**5,097,974**		

(i) The figures represent the amounts expensed in the relevant reporting period.

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

(iii) The fair value of the equity-settled share options granted under the EIP plan are estimated as at the date of grant using the Black Scholes option valuation model, while share options granted under the ESOP schemes are estimated as at the date of grant using either the Black Scholes option valuation model or the Monte Carlo Simulation (if there is a restriction on the share price for exercisability of the option). The fair value of equity-settled performance rights granted under the EIP plan are calculated at the date of grant using the five (5) day weighted average share price from the close of business on the date of grant. Share-based compensation includes the expense during the financial year of all awards regardless of the financial year awarded.

(iv) Certain Directors and Executives are based in the US and are paid in USD. The total compensation is therefore translated for financial reporting purposes to AUD on a monthly basis. The translation of compensation from USD to AUD caused a translation effect in increasing the applicable expense related compensation when compared to the prior reporting period. The average AUD to USD exchange rate for the current period was $0.73, while the average exchange rate for the prior reporting period was $0.84.

(v) E Gaines was appointed in March 2016.

(vi) J Hazel retired in March 2016.

(vii) STI component contains a sign-on bonus as part of the new hire package.

(viii) R Carreon was appointed Managing Director and CEO in May 2015.

(ix) M Schreiber left the Group in July 2016.

Refer to pages 13–17, details of key management personnel, for dates of new appointments and resignations.

10.2. REMUNERATION AWARDS: GRANTED, VESTED, AND LAPSED DURING THE YEAR

(A) OPTIONS (i)

GRANTED		TERMS AND CONDITIONS FOR EACH GRANT				VESTED	
	No.	Grant Date	Value Per Option At Grant Date ($)	Exercise Price Per Option ($)	Expiry Date For Options Vested During Year	Number of Options (#)	Fair Value of Options Granted During Year ($)
Managing Director							
R Carreon (ii)		09 JUL 12	0.1766	0.3500	09 JUL 22	1,813,140	–
R Carreon		24 APR 14	0.1150	0.2100	30 JUN 20	639,222	–
R Carreon (iii)		04 DEC 14	0.3781	0.6900	04 DEC 21	512,000	–
R Carreon	512,500	13 NOV 15	0.5906	1.0000	01 JUL 22	64,062	302,667
Executives							
M Vigeland		23 SEP 13	0.1277	0.1900	31 DEC 19	100,000	–
M Vigeland		24 APR 14	0.1150	0.2100	30 JUN 20	94,950	–
M Vigeland		04 DEC 14	0.3781	0.6900	04 DEC 21	247,000	–
M Vigeland	237,500	01 JUL 15	0.5240	0.8700	01 JUL 22	49,479	124,460
J Cosentino	500,000	08 DEC 15	0.6217	1.0300	08 DEC 22	–	310,833
A Holder	350,000	01 JUL 15	0.5251	0.8700	01 JUL 22	–	183,798
A Holder	150,000	08 DEC 15	0.6217	1.0300	08 DEC 22	–	93,250
C Kingsford		24 APR 14	0.1150	0.2100	30 JUN 20	69,950	–
C Kingsford		04 DEC 14	0.3781	0.6900	04 DEC 21	208,750	–
C Kingsford	187,500	01 JUL 15	0.5240	0.8700	01 JUL 22	39,063	98,258
D Schlaht		24 APR 14	0.1150	0.2100	30 JUN 20	69,950	–
D Schlaht		04 DEC 14	0.3781	0.6900	04 DEC 21	163,750	–
D Schlaht	137,500	01 JUL 15	0.5240	0.8700	01 JUL 22	28,646	72,056
M Schreiber		01 JUL 13	0.0900	0.1100	30 JUN 20	233,333	–
M Schreiber		24 APR 14	0.1150	0.2100	30 JUN 20	58,334	–
M Schreiber		04 DEC 14	0.3781	0.6900	04 DEC 21	133,750	–
M Schreiber	112,500	01 JUL 15	0.5240	0.8700	01 JUL 22	24,167	58,955
	2,187,500					**4,549,546**	**1,244,277**

(i) During the period, there were nil options that lapsed for KMP (2015: 44,750).

(ii) Certain options granted in FY14 have a ten-year exercise period.

(iii) All options granted during this financial year have a seven-year expiry date from the date of issue.

(B) PERFORMANCE RIGHTS (i)

GRANTED		TERMS AND CONDITIONS FOR EACH GRANT				VESTED	
	No.	Grant Date	Value Per Option At Grant Date ($)	Exercise Price Per Option ($)	Expiry Date For Options Vested During Year	Number of Options (#)	Fair Value of Perf. Rights Granted During Year ($)
Executives							
J Cosentino	250,000	08 DEC 15	1.0200	–	08 DEC 18	–	255,000
A Holder	100,000	08 DEC 15	1.0200	–	08 DEC 18	–	102,000
A Holder	150,000	01 JUL 15	0.8700	–	01 JUL 18	–	130,500
	500,000						

(i) During both the current and prior period, there were nil performance rights that lapsed for KMP.

10.3. REMUNERATION AWARDS: AWARDS HELD BY KEY MANAGEMENT PERSONNEL

(A) OPTIONS

30 JUN 16	Held At The Start Of Period	Granted During Period	Exercised During Period	Options From Other Changes (i)	Held At The End Of Period	Options Vested And Exercisable	Options Vested And Unexercisable
	No.	No.	No.	No.	No.	No.	No.
Managing Director							
R Carreon	11,636,327	512,500	–	–	12,148,827	10,269,293	–
Executives							
M Vigeland	2,537,250	237,500	–	–	2,774,750	1,969,229	–
J Cosentino	–	500,000	–	–	500,000	–	–
A Holder	–	500,000	–	–	500,000	–	–
C Kingsford	2,102,166	187,500	(36,666)	–	2,253,000	1,582,688	–
D Schlaht	1,974,001	137,500	(68,750)	–	2,042,751	1,524,522	–
M Schreiber	1,410,000	112,500	(583,332)	–	939,168	283,126	–
	19,659,744	**2,187,500**	**(688,748)**		**21,158,496**	**15,628,858**	

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

10.3. REMUNERATION AWARDS: AWARDS HELD BY KEY MANAGEMENT PERSONNEL (CONTINUED)

(B) PERFORMANCE RIGHTS

30 JUN 16	Held At The Start Of Period	Granted During Period	Vested During Period	Perf Rights From Other Changes (I)	Held At The End Of Period
	No.	No.	No.	No.	No.
Managing Director					
R Carreon	912,000	–	–	–	912,000
Executives					
M Vigeland	432,000	–	–	–	432,000
J Cosentino	–	250,000	–	–	250,000
A Holder	–	250,000	–	–	250,000
C Kingsford	360,000	–	–	–	360,000
D Schlaht	240,000	–	–	–	240,000
M Schreiber	160,000	–	–	–	160,000
	2,104,000	**500,000**			**2,604,000**

10.4. SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

30 JUN 16	Held At The Start Of Period	Granted As Remu-neration	On Exercise Of Options/ Perf Rights	Net Change Other (i)	Held At The End Of Period	Held Nominally
	No.	No.	No.	No.	No.	No.
Directors						
C Hirst	1,216,924	–	–	–	1,216,924	1,216,924
D Adams	159,000	–	–	–	159,000	159,000
E Gaines	–	–	–	–	–	–
J Hazel (ii)	823,249	–	–	(823,249)	–	–
M Panaccio (iii)	25,238,045	–	–	–	25,238,045	25,238,045
S Ward	225,000	–	–	–	225,000	225,000
R Carreon	452,858	–	–	–	452,858	452,858
Executives						
M Vigeland	246,024	–	–	–	246,024	246,024
J Cosentino	–	–	–	–	–	–
A Holder	–	–	–	68,000	68,000	68,000
C Kingsford	163,591	–	36,666	–	200,257	200,257
D Schlaht	275,306	–	68,750	–	344,056	344,056
M Schreiber (iv)	–	–	583,332	(583,332)	–	–
	28,799,997		**688,748**	**(1,338,581)**	**28,150,164**	**28,150,164**

(i) All shareholding movements during the period related to shares purchased by the Directors through the open market or the Entitlement Offer and not through compensation.

(ii) J Hazel retired from the Board in March 2016 and sold his shareholdings after that date.

(iii) M Panaccio retired from the Board in August 2016 but remains a shareholder of the Group.

(iv) M Schreiber left the company in July 2016. During June 2016, Mr. Schreiber sold all of his exercised options.

10.4. SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(a) Shares Issued On Exercise Of Remuneration Options

1,271,233 shares were issued during the year ended 30 June 2016 (30 June 2015: 387,548) on the exercise of remuneration options, of which 688,748 related to KMP:

EXECUTIVES	2016 OPTIONS EXERCISED	EXERCISE PRICE $	SHARE PRICE ON EXERCISE DATE $	VALUE AT EXERCISE DATE $
C Kingsford	15,416	0.6977	1.065	16,418
C Kingsford	21,250	0.7616	1.065	22,631
D Schlaht	37,750	0.6977	1.065	40,204
D Schlaht	31,000	0.7616	1.065	33,015
M Schreiber	466,666	0.1100	1.000	466,666
M Schreiber	116,666	0.2100	1.000	116,666
	688,748			**695,600**

10.5. OTHER TRANSACTIONS AND BALANCES WITH KMP AND THEIR RELATED PARTIES

For the year ended 30 June 2016, no transactions with Directors or KMP occurred that would be considered related party transactions.

11. PEER GROUP LIST

The follow list of companies are included in the current Peer Group:

- Aradigm Corporation
- AtriCure, Inc.
- Cerus Corporation
- Cesca Therapeutics, Inc.
- Cutera, Inc.
- Digirad Corporation
- GenMark Diagnostics, Inc.
- Hansen Medical, Inc.
- Nanosphere, Inc.
- NeoGenomics, Inc.
- Oculus Innovative Sciences, Inc.
- STAAR Surgical Company
- Stereotaxis, Inc.
- SurModics, Inc.
- Synergetics USA, Inc.
- Tandem Diabetes Care, Inc.
- TearLab Corporation
- Vasomedical, Inc.
- Xtant Medical Holdings, Inc.

DIRECTORS' MEETINGS

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

		MEETINGS OF COMMITTEES (i)		
	Directors' Meetings	**Audit / Risk**	**Remuneration**	**Nomination**
Number of Meetings Held:	12	3	4	1
Number of Meetings Attended:				
C Hirst AO	12	3	4	1
D Adams (resigned August–16)	12	3	–	1
E Gaines (appointed March–16)	3	–	–	–
G Goetzke (appointed August–16)	–	–	–	–
J Hazel (retired March–16)	9	3	–	1
M Panaccio (retired August–16)	12	–	4	1
S Ward	11	–	3	1
R Carreon	12	–	–	–

(i) A Directors' attendance at a committee meeting is only included if the Director is a member of the committee.

COMMITTEE MEMBERSHIP

At the date of this report, the Group had an Audit and Risk Committee, a Remuneration Committee and a Nomination Committee of the Board of Directors.

Members acting on the committees of the Board as of the date of this report are:

	Audit & Risk Management	**Remuneration**	**Nomination**
C Hirst AO	Member	Member	**Chairman**
E Gaines	**Chairman**	Member	Member
G Goetzke	Member	–	Member
S Ward	–	**Chairman**	Member
R Carreon (i)	–	–	–

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

ROUNDING

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

AUDITORS' INDEPENDENCE DECLARATION AND NON-AUDIT SERVICES

The directors received the declaration on page 63 from the auditor of the Company and have resolved the auditor is independent.

NON-AUDIT SERVICES

No non-audit services were provided.

Signed in accordance with a resolution of the directors.

Cherrell Hirst AO
Chairman

Elizabeth Gaines
Director

Brisbane, 24 August 2016

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Auditor's Independence Declaration to the Directors of ImpediMed Limited

As lead auditor for the audit of ImpediMed Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Kellie McKenzie
Partner
24 August 2016

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	**2016 $000**	**2015 $000**
Continuing Operations			
Sale of Goods	4	5,544	4,608
Rendering of Services		247	236
Finance income	4	156	83
Revenue		5,947	4,927
Cost of goods sold		(1,583)	(1,324)
Gross Profit		4,364	3,603
Other income and Finance Costs	5	2,363	265
Salaries and Benefits	6	(15,022)	(9,485)
Research and Development	6	(4,041)	(1,035)
Administrative and Governance	6	(3,985)	(1,312)
Consultants and Professional Fees	6	(3,211)	(1,902)
Depreciation and Amortisation	6	(184)	(148)
Advertising and Promotion	6	(1,295)	(1,296)
Rent and Property Expenses		(318)	(248)
Travel Expenses		(1,619)	(1,140)
Share-based Payments	18	(2,517)	(1,803)
IT and Other Expenses		(515)	(296)
Loss from Continuing Operations Before Income Tax		(25,980)	(14,797)
Income tax	19	–	–
Loss from Continuing Operations After Income Tax		(25,980)	(14,797)
Net Loss for the Period		(25,980)	(14,797)
Other Comprehensive Income			
Items that may be reclassified to profit or loss:			
Foreign Currency Translation Gain		2,422	3,543
Other Comprehensive Gain for the Period, Net of Tax		2,422	3,543
Total Comprehensive Loss for the Period		(23,558)	(11,254)
		2016 $	2015 $
Basic and Diluted Loss per Share	1	(0.08)	(0.06)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2016	Notes	AS AT 30 JUN 2016 $000	AS AT 30 JUNE 2015 $000
Assets			
Current Assets			
Cash and Cash Equivalents	7	82,254	32,582
Trade And Other Receivables	8	3,507	633
Inventories	9	1,378	1,638
Other Current Assets		510	265
Total Current Assets		87,649	35,118
Non-Current Assets			
Other Financial Assets	10	48	93
Property and Equipment	11	396	298
Intangible Assets	12	41	40
Goodwill	12	2,436	2,368
Total Non-Current Assets		2,921	2,799
Total Assets		90,570	37,917
Liabilities			
Current Liabilities			
Trade and Other Payables	13	2,599	1,462
Provisions	14	2,602	1,514
Total Current Liabilities		5,201	2,976
Non-Current Liabilities			
Provisions	14	115	104
Total Non-Current Liabilities		115	104
Total Liabilities		5,316	3,080
Net Assets		85,254	34,837
Equity			
Issued Capital	15	218,807	147,349
Reserves	16	16,098	11,159
Accumulated Losses		(149,651)	(123,671)
Total Equity		85,254	34,837

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

AS AT 30 JUNE 2016

	Notes	2016 $000	2015 $000
Cash Flows from Operating Activities			
Receipts From Customers (Inclusive of Gst and Us Sales Tax)		5,686	4,840
Payments to Suppliers and Employees (Inclusive of Gst and Us Sales Tax)		(28,220)	(15,931)
Interest Received		112	80
Other Receipts		–	254
Net Cash Flows Used in Operating Activities	7	(22,422)	(10,757)
Cash Flows from Investing Activities			
Purchase of Property and Equipment		(109)	(132)
Proceeds From the Sale of Property and Equipment		–	–
Purchase of Intangible Assets		–	–
Net Cash Flows Used in Investing Activities		(109)	(132)
Cash Flows from Financing Activities			
Proceeds From Issue of Ordinary Shares	15	75,434	32,672
Transaction Costs From Capital Raising	15	(3,976)	(2,010)
Other Proceeds From Financing Activities		–	–
Net Cash Flows From Financing Activities		71,458	30,662
Net Increase (Decrease) in Cash and Cash Equivalents		48,927	19,773
Net Foreign Exchange Differences		745	1,997
Cash and Cash Equivalents at Beginning of Period		32,582	10,812
Cash and Cash Equivalents at End of Period	7	82,254	32,582

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	ISSUED CAPITAL $000	RESERVES $000	ACCUMULATED LOSSES $000	TOTAL $000
At 30 June 2014		116,593	5,813	(108,874)	13,532
Loss for the period		–	–	(14,797)	(14,797)
Other comprehensive income	6	–	3,543	–	3,543
Total comprehensive loss for the period		–	3,543	(14,797)	(11,254)
Equity Transactions:					
Share-based payment		–	1,803	–	1,803
Allotment of ordinary shares		32,672	–	–	32,672
Costs of capital raising		(1,916)	–	–	(1,916)
At 30 June 2015		147,349	11,159	(123,671)	34,837
Loss for the period		–	–	(25,980)	(25,980)
Other comprehensive loss	6	–	2,422	–	2,422
Total comprehensive loss for the period		–	2,422	(25,980)	(23,558)
Equity Transactions:					
Share-based payment		–	2,517	–	2,517
Allotment of ordinary shares		75,434	–	–	75,434
Costs of capital raising		(3,976)	–	–	(3,976)
At 30 June 2016		218,807	16,098	(149,651)	85,254

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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1. 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 (in thousands except for share data):

	2016	2015
	$000	$000
Net loss used in calculating basic and diluted earnings per share	(25,980)	(14,797)
	No.	No.
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	319,882,595	268,288,850
	$	$
Basic and diluted loss per share	(0.08)	(0.06)

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Diluted EPS is calculated by taking the net loss attributable to ordinary equity holders and dividing it by the sum of the weighted average number of ordinary shares and the weighted average number of convertible instruments. For the financial year ended 30 June 2016, diluted EPS is equal to basic EPS as the Group is currently in a loss position and any conversion of instruments to ordinary shares would have an antidilutive effect on earnings per share.

As of the end of financial year 2016 there were 28,709,232 (2015: 26,442,207) options and 2,760,000 (2015: 2,260,000) performance rights on issue.

2. DIVIDENDS PAID AND PROPOSED

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

3. SEGMENT REPORTING

(A) OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE SEGMENTS

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

The operating segments are identified by management according to the nature of the products and services provided, as the Group's risks and returns are affected predominantly by differences in the products produced and services provided. Discrete financial information about each of these operating businesses is reported to the Chief Executive Officer on at least a monthly basis. The Chief Executive Officer reviews the Medical Segment revenue information categorised by the segment's two product lines, Oncology and Wellness (or "Other"). Thus, consistent with the prior year, we have included the product line information as part of the medical segment revenue disclosure.

TYPES OF PRODUCTS AND SERVICES

Medical

The Medical segment is a supplier of non-invasive medical devices to two under-served markets: (1) aiding in the subclinical assessment of individuals at risk of secondary lymphoedema ("Oncology") and (2) the monitoring of body composition and hydration ("Wellness" or "Other"). The medical cash generating unit (CGU) is the core business of the Group and is the main strategic operating segment.

Test & Measurement

The Test & Measurement segment is a supplier of power precision testing and measuring equipment ("T&M").

3. SEGMENT REPORTING (CONTINUED)

(A) OPERATING SEGMENTS (CONTINUED)

ACCOUNTING POLICIES AND INTER-SEGMENT TRANSACTIONS

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 29 and are consistent with the prior period.

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

Inter-entity sales are recognised based on internally set transfer prices. All inter-entity sales are eliminated for the purposes of segment reporting. The prices aim to reflect what the business operation could achieve if they sold their output and services to external parties at arm's length.

Segment loans are initially recognised at the consideration received excluding transaction costs. All inter-entity loans are eliminated for the purposes of segment reporting.

MAJOR CUSTOMERS

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

SEGMENT RESULTS

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

3. SEGMENT REPORTING (CONTINUED)

(A) OPERATING SEGMENTS (CONTINUED)

YEAR ENDED 30 JUNE 2016	MEDICAL				
	ONCOLOGY $000	WELLNESS $000	TOTAL MEDICAL $000	TEST & MEASUREMENT $000	TOTAL $000
Revenue					
Device Revenue	866	660	1,526	1,515	3,041
Consumable Revenue	2,301	132	2,433	4	2,437
Operating Lease Revenue	39	10	49	17	66
Rendering of Services	22	40	62	185	247
Total Segment Revenue	3,228	842	4,070	1,721	5,791
Unallocated Revenue — Finance Income			156	–	156
Total Consolidated Revenue			4,226	1,721	5,947
Results					
Segment Results			(25,493)	(458)	(25,951)
Depreciation and Amortisation Expenses			(148)	(36)	(184)
Finance Costs			(1)	–	(1)
Total Segment Loss Before Income Tax			(25,642)	(494)	(26,136)
Income Tax Expense					–
Net Loss for the Period					(26,136)
Unallocated Results					156
Total Consolidated Net Loss for the Period					(25,980)
Assets and Liabilities					
Segment Assets			89,902	1,478	90,570
Unallocated Assets					–
Total Assets			89,902	1,478	90,570
Segment Liabilities			5,005	311	5,316
Unallocated Liabilities					
Total Liabilities			5,005	311	5,316
Other Segment Information					
Capital Expenditure			109	–	109
Write Down in Value of Inventories			5	18	23

3. SEGMENT REPORTING (CONTINUED)

(A) OPERATING SEGMENTS (CONTINUED)

YEAR ENDED 30 JUNE 2015	MEDICAL				
	ONCOLOGY $000	WELLNESS $000	TOTAL MEDICAL $000	TEST & MEASUREMENT $000	TOTAL $000
Revenue					
Device Revenue	605	798	1,403	1,632	3,035
Consumable Revenue	1,383	125	1,508	7	1,515
Operating Lease Revenue	40	13	53	5	58
Rendering of Services	15	33	48	188	236
Total Segment Revenue	2,043	969	3,012	1,832	4,844
Unallocated Revenue — Finance Income					83
Total Consolidated Revenue					4,927
Results					
Segment Results			(14,764)	32	(14,732)
Depreciation and Amortisation Expenses			(134)	(14)	(148)
Finance Costs			–	–	–
Total Segment Loss Before Income Tax			(14,898)	18	(14,880)
Income Tax Expense					–
Net Loss for the Period					(14,880)
Unallocated Results					83
Total Consolidated Net Loss for the Period					14,797
Assets and Liabilities					
Segment Assets			36,304	1,613	37,917
Unallocated Assets			36,304	1,613	–
Total Assets			2,239	300	37,917
Segment Liabilities					2,539
Unallocated Liabilities					541
Total Liabilities					3,080
Other Segment Information					
Capital Expenditure			132	0	132
Write Down in Value of Inventories			5	2	7

(B) GEOGRAPHICAL INFORMATION

The following tables present revenue and profit / (loss) information and certain asset and liability information regarding geographical segments for the years ended 30 June 2016 and 2015. Revenue data is based on the location of the customer for geographical reporting purposes.

AUSTRALIA/REST OF WORLD (ROW)

Australia is the corporate home office of the Group and the main domicile of its research and product development activities, contract manufacturing of devices and corporate services. The Australia/ROW geographical segment primarily sells and ships Medical CGU 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 CGU products to customers located in the US. During the year, the Group added an additional office in Bloomington, Minnesota to serve as operational, marketing and business development support for the Medical segment.

The operational hub for the Test & Measurement segment is located in San Diego, California and it sells and ships test and measurement products and services to customers located throughout the world.

YEAR ENDED 30 JUNE 2016	AUSTRALIA / ROW $000	NORTH AMERICA $000	TOTAL $000
Revenue			
Device Revenue	1,006	2,035	3,041
Consumable Revenue	279	2,158	2,437
Operating Lease Revenue	–	66	66
Service Revenue	58	189	247
Total Segment Revenue	1,343	4,448	5,791
Unallocated Revenue			156
Total Consolidated Revenue			5,947
Other Segment Information			
Non-Current Assets	21	2,900	2,921

(B) GEOGRAPHICAL INFORMATION (CONTINUED)

YEAR ENDED 30 JUNE 2015	AUSTRALIA / ROW $000	NORTH AMERICA $000	TOTAL $000
Revenue			
Device Revenue	1,084	1,951	3,035
Consumable Revenue	233	1,282	1,515
Operating Lease Revenue	5	53	58
Service Revenue	50	186	236
Total Segment Revenue	1,372	3,472	4,844
Unallocated Revenue			83
Total Consolidated Revenue			4,927
Other Segment Information			
Non-Current Assets	52	2,747	2,799

4. REVENUE

	2016 $000	2015 $000
Sale of Goods		
Device Revenue	3,041	3,035
Consumable Revenue	2,436	1,515
Operating Lease Revenue	67	58
	5,544	4,608
Finance income		
Interest income — Bank Deposits (i)	136	83
Interest Income — Term Deposits (ii)	20	–
	156	83

(i) At the balance date, the Group held approximately US $57,000,000 in money market accounts. The Group has access to these funds free of any penalties.

(ii) At the balance date, the Group held approximately $3,000,000 in two term deposit accounts. The funds held in this accounts can be readily accessed with minimal exposure to penalties for early withdrawal.

5. OTHER INCOME

	2016 $000	2015 $000
R&D tax incentive (i)	2,348	253
Proceeds from Tax Refunds and Other Rebates	15	12
	2,363	265

(i) During the current financial year there are two years of income reflected in Other Income related to research & development (R&D) tax credits under the AusIndustry R&D Tax Incentive program. The program is a broad-based entitlement program that aims to promote innovation within Australia for eligible R&D activities. The current year income includes the 2015 financial year's activity of approximately $748,000 and an estimate for the 2016 financial year activities of approximately $1,600,000. The Group received the 2015 financial year incentive in July 2016. Consistent with prior years, the Group accrues for amounts when there is reasonable assurance of receipt. Whilst there is a judgement involved in when there is reasonable assurance, the Group now has a past history of successful lodgings and receipt with the ATO and reasonable assurance for the R&D Tax Incentive is now expected to be in the year the R&D expense is incurred. Any difference between the amount accrued and the actual cash received will be recognised in the year of receipt. Previously reasonable assurance was deemed to occur when the cash was received.

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6. EXPENSES

SALARIES AND BENEFITS

	2016 $000	2015 $000
Wages and salaries	9,823	5,874
Performance & sales incentives	3,946	2,738
Superannuation	333	222
Annual leave & long service leave	242	184
Other employee benefits	678	467
Sub-Total Salaries and Benefits	15,022	9,485
Share-based payments to employees	2,500	1,788
Total Salaries and Benefits	17,522	11,273

RESEARCH AND DEVELOPMENT

	2016 $000	2015 $000
Product Development (i)	2,409	–
Other Reseach and Development	30	23
Sub-total Research and Development	2,439	23
Oncology Clinical Trials	1,119	634
Cardiology Clinical Trials	51	–
Unrestricted Grants	432	378
Sub-total Clinical Trials	1,602	1,012
Total Research and Development	4,041	1,035

(i) During the financial year, the Group commenced development of SOZO™, a four channel device for clinical and in-home monitoring, using the Group's patented BIS technology.

ADMINISTRATIVE AND GOVERNANCE FEES

	2016 $000	2015 $000
Directors Fees	520	445
Governance and Regulatory Fees	584	448
Insurance	206	200
Administrative Expenses	356	219
Foreign Currency Loss / (Gain) on Transactions (i)	2,320	(6)
Total Consulting and Professional Fees	3,985	1,312

(i) During the financial year, a portion of the foreign currency loss for the Group was due to the Parent entity holding US dollars during a period of fluctuating exchange rates. These funds were subsequently transferred to the Group's US subsidiaries and any further translation impacts are recorded in Other Comprehensive Income and within the Foreign Currency Translation Reserve.

CONSULTING AND PROFESSIONAL FEES	**2016 $000**	2015 $000
Professional fees	400	317
Consulting fees	1,510	1,038
Patent and trademark fees	1,301	547
Total Consulting and Professional Fees	3,211	1,902

DEPRECIATION AND AMORTISATION INCLUDED IN STATEMENT OF COMPREHENSIVE INCOME	**2016 $000**	2015 $000
Depreciation of Property and Equipment	90	75
Depreciation of Demo and Loan Devices	63	40
Amortisation of Leasehold Improvements	20	24
Amortisation of Patents and Licenses	2	2
Amortisation of Software	9	7
	184	148
Depreciation of Operating Lease and PSA Devices (i)	20	34
Total Depreciation and Amortisation	204	182

(i) This depreciation relates to devices on operating lease or PSA and has been included in cost of goods sold.

7. CURRENT ASSETS — CASH AND CASH EQUIVALENTS

	2016 $000	2015 $000
Cash at Bank and in Hand	2,586	32,582
Short Term Deposits	79,668	–
Cash and Cash Equivalents	82,254	32,582

Reconciliation from net loss after tax to net cash flow from operations

	2016 $000	2015 $000
Net Loss After Tax	(25,980)	(14,797)
Adjustments For:		
Depreciation and Amortisation Expense	184	182
Share-based Payment Expense	2,517	1,757
Amounts Set Aside for Provisions	30	9
Unreleased Foreign Currency (Gain) Loss	2,330	(22)
Changes in Net Assets and Liabilities:		
Decrease/(Increase) in Assets:		
Inventories	383	(330)
Fixed Assets	(118)	(96)
Receivables	(2,845)	101
Other Current and Non-current Assets	(199)	85
(Decrease)/Increase in Liabilities		
Current Payables	200	1,311
Other Current and Non-current Liabilities	1,076	1,043
Net Cash Used in Operating Activities	(22,422)	(10,757)

8. CURRENT ASSETS — TRADE AND OTHER RECEIVABLES

	2016 $000	2015 $000
Trade Receivables	956	628
Allowance for Repairment Loss	(16)	(9)
Interest Receivable	51	7
Tax and Other Receivables (i)	2,516	7
	3,507	633

(i) Tax and other receivables includes two years of income related to research & development (R&D) tax credits under the AusIndustry R&D Tax Incentive program. The current year income includes the 2015 financial year's activity of approximately $748,000 and an estimate for the 2016 financial year activities of approximately $1,600,000. The Group received the 2015 financial year incentive in July 2016.

ALLOWANCE FOR IMPAIRMENT LOSS ON CURRENT ASSETS

Trade receivables are non-interest bearing and are generally on 30-90 day terms, based upon customer. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

Movements in the provision for impairment loss were as follows:

	2016 $000	2015 $000
At July 1	9	5
Charge for the Year	9	6
Amounts Reversed	–	–
Amounts Written Off (Included in Administrative and Governance Expenses)	(1)	(4)
Foreign Exchange Translation	(1)	2
At June 30	16	9

The remaining receivables past due, but not considered impaired, are considered immaterial by management.

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

			PAST DUE BUT NOT IMPAIRED		
	TOTAL	**NEITHER PAST DUE NOR IMPAIRED**	**<30 Days**	**30-60 Days**	**>61 Days**
2016	940	846	62	16	15
2015	619	480	69	47	23

See note 26(c) on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

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.

9. CURRENT ASSETS — INVENTORIES

	2016 $000	2015 $000
Raw Materials (at cost)	803	816
Sub-assemblies (at cost)	381	408
Finished Goods (at cost)	486	675
Provision for Obsolete Inventory (i)	(292)	(261)
Total Inventories at the Lower Cost and Net Realisable Value	1,378	1,638

9. CURRENT ASSETS — INVENTORIES (CONTINUED)

(i) Due to the nature of many of the test & measurement division products, there are both custom and catalogue components in the product bills of materials that need to be purchased in minimum lot sizes that may be held in component inventory for extended periods of time. While the parts are still currently used, the Group has reviewed the usage of each part and provided an obsolescence provision against those parts that have minimal usage rates. The catalogue components do typically have value on the electronics parts clearance markets, and it is possible that the Group may liquidate some of the slow moving excess in the test and measurement division inventory at an amount at or above the carrying value.

Inventory write-downs recognised as an expense in cost of sales totaled $23,000 (2015: $7,000) for the Group.

10. NON-CURRENT ASSETS — OTHER FINANCIAL ASSETS

	2016	2015
	$000	$000
Deposits — Premise Leases (i) (ii)	48	62
Restricted Cash (iii)	–	31
Carrying Amount of Non-current Assets	48	93

(i) The deposits on the premise leases are held until the shorter of (1) the conclusion of the lease or (2) the voluntary release date by the landlord.

(ii) During the period the Group opened a second operational office in the US in Bloomington, Minnesota. The Minnesota-based office will initially house employees in operations, marketing and business development roles, but will help position the Group for growth as the office will become the hub for the Group's exploration of new clinical and home-based indications for BIS technology. The premise lease was for a five (5) year period. In addition, the Group extended the premise lease on the Test & Measurement office for an additional year.

(iii) As of the balance date, the premise lease on the Australian office had less than one-year remaining. The restricted cash related to this lease was moved to current assets.

FAIR VALUES

Details regarding fair values are disclosed in note 27.

INTEREST RATE RISK

Details regarding interest rate risk exposure are disclosed in note 26(a).

CREDIT RISK

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.

11. NON-CURRENT ASSETS — PROPERTY AND EQUIPMENT

RECONCILIATION OF CARRYING AMOUNTS AT THE BEGINNING AND END OF THE PERIOD

YEAR ENDED 30 JUNE 2016

	LEASED, DEMO & LOAN DEVICES $000	LEASEHOLD IMPROVEMENTS $000	PROPERTY & MACHINERY $000	COMPUTER EQUIPMENT $000	TOTAL $000
At 1 July 2015 Net Of Accumulated Depreciation	126	30	28	114	298
Additions	–	26	60	82	168
Disposals	(17)	–	–	–	(17)
Depreciation charge for the year	(80)	(20)	(25)	(64)	(193)
Effect of Foreign Exchange	6	–	1	4	11
At 30 June 2016 Net Of Accumulated Depreciation	160	36	64	136	396
At 30 June 2016					
Cost	859	198	382	411	1,850
Accumulated Depreciation (i)	(699)	(162)	(318)	(275)	(1,454)
Net Carrying Amount	160	36	64	136	396

YEAR ENDED 30 JUNE 2015

	LEASED, DEMO & LOAN DEVICES $000	LEASEHOLD IMPROVEMENTS $000	PROPERTY & MACHINERY $000	COMPUTER EQUIPMENT $000	TOTAL $000
At 1 July 2014 Net Of Accumulated Depreciation	95	37	59	12	203
Additions	–	13	–	136	149
Disposals	(17)	–	–	–	(17)
Depreciation charge for the year	120	–	–	–	120
Effect of Foreign Exchange	2	4	9	1	16
At 30 June 2015 Net Of Accumulated Depreciation	126	30	28	114	298
At 30 June 2015					
Cost	758	171	316	326	1,571
Accumulated Depreciation (i)	(632)	(141)	(288)	(212)	(1,273)
Net Carrying Amount	126	30	28	114	298

(i) During the financial year, the Group disposed of assets that were previously under lease agreements and had a remaining value of $17,000 (2015: $14,000). Both the device cost and accumulated depreciation were reduced by the amortised values.

12. NON-CURRENT ASSETS — INTANGIBLE ASSETS AND GOODWILL

RECONCILIATION OF CARRYING AMOUNTS AT THE BEGINNING AND END OF THE PERIOD

YEAR ENDED 30 JUNE 2016

	SOFTWARE $000	PATENTS & LICENSES $000	GOODWILL $000	TOTAL $000
At 1 July 2015 Net of Accumulated Amortisation & Impairment	17	23	2,368	2,408
Arising During the Year	12	–	–	12
Amortisation	(9)	(2)	–	(11)
Effect of Foreign Exchange	–	–	68	68
At 30 June 2016 Net of Accumulated Amortisation & Impairment	20	21	2,436	2,477
At 30 June 2016				
Cost (Gross Carrying Amount)	317	34	2,436	2,787
Accumulated Amortisation & Impairment	(297)	(13)	–	(310)
Net Carrying Amount	20	21	2,436	2,477

RECONCILIATION OF CARRYING AMOUNTS AT THE BEGINNING AND END OF THE PERIOD

YEAR ENDED 30 JUNE 2015

	SOFTWARE $000	PATENTS & LICENSES $000	GOODWILL $000	TOTAL $000
At 1 July 2014 Net Of Accumulated Amortisation & Impairment	20	21	1,924	1,965
Arising During The Year	–	–	–	–
Amortisation	(7)	(2)	–	(9)
Effect Of Foreign Exchange	4	4	444	452
At 30 June 2015 Net Of Accumulated Amortisation & Impairment	17	23	2,368	2,408
At 30 June 2015				
Cost (Gross Carrying Amount)	298	32	2,368	2,698
Accumulated Amortisation & Impairment	(281)	(9)	–	(290)
Net Carrying Amount	17	23	2,368	2,408

DESCRIPTION OF THE GROUP'S INTANGIBLE ASSETS AND GOODWILL

Software

The Group's intangible assets include software tools and the Group's investment in its Enterprise Resource Planning (ERP) system and Customer Relationship Management (CRM) system.

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

IMPAIRMENT TESTS FOR GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Patents and licenses

The Group holds three licences and numerous patents. All patents and licences are carried at cost less accumulated amortisation and impairment losses. These intangible assets have been determined to have a finite life and are amortised using the straight line method over a useful life of between five and twenty years. The amortisation has been recognised in the statement of comprehensive income in the line item "depreciation and amortisation". Patents and licences are subject to impairment testing whenever there is an indication of impairment.

No impairment loss has been recognised for the years ended 30 June 2016 or 2015.

Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever an indication of impairment arises.

Description of the Group's cash generating units (CGUs)

For the purposes of impairment testing, the Group has allocated the goodwill to the Medical CGU which comprises the business supplying bioimpedance and bioimpedance spectroscopy devices for use by clinicians and allied health professionals. During the current period, the key focus of the Medical CGU was the sale of devices for the subclinical assessment of lymphoedema in cancer survivors, though it also takes in devices used in body composition, and other areas of fluid status measurement. The Medical CGU is the core business of the Group and the part of the business forecasting substantial growth. There was no impairment in financial years 2016 and 2015.

12. NON-CURRENT ASSETS — INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Relationship of the intangible assets with the CGUs

The only intangible asset in the Group with an indefinite useful life is goodwill.

The goodwill has been allocated to the Medical CGU and arose from the acquisition of XiTRON in 2007. The goodwill is aligned to the objectives of the acquisition which were to eliminate the risk of legal action for infringement of XiTRON's patent and to establish a base in the US for the Medical CGU to service and support the Group's medical business.

Therefore, in undertaking impairment testing, it is the Medical CGU which has been assessed.

Details of Impairment testing

Impairment testing has been performed by calculating the value in use of the CGU. This has been prepared using a discounted cash flow forecast for the CGU for a ten-year period and analysing the net present value (NPV) of cash flows, noting no impairment is required.

A ten-year forecast is an appropriate measure to reflect the value of the Medical CGU, while creating new markets and working through commercialisation milestones. Over the ten-year forecast a year-over-year average revenue growth rate of approximately 30% (2015: 30%) is calculated.

The calculation of value in use for the Medical CGU is most sensitive to:

1) increased revenue arising from the following factors / considerations:
   - product acceptance and rate of adoption (by clinicians), particularly in the US;
   - progress in having US customers adhere to the NCCN Guidelines to ensure cancer patients are monitored for lymphoedema and referred for lymphoedema management as needed;
   - the continuation of an environment where there are no cleared competitive products in the US lymphoedema clinical assessment market; and to some extent
   - progress in having a Category I CPT reimbursement code accepted by US healthcare payers to reimburse physicians for the use of the L-Dex test;
2) ability to sell products at amounts in excess of both cost of sales and general operating costs; and
3) the ability of the Group to have cash funding sufficient to execute the current business plan.

All assumptions used in the calculation are based on budgets and forecasts and consider the size of markets available to the Group. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Impairment tests for goodwill and intangible assets with indefinite useful lives (continued)

In calculating the value in use, a discount rate of 12.5% pre-tax has been used in the 2016 financial year (2015: 20%). In order to calculate the discount rate for use in the NPV calculation, the Group used a weighted average cost of capital (WACC) method. The Company currently has very little debt and has created equity by relying upon capital raises for its operating funds. As such, the cost of equity is factored heavily in to the WACC calculation and has caused an adjustment to the discount rate for the current financial year.

In addition, it is noted the market capitalisation of the Group at 30 June 2016 was approximately $353 million, which exceeded the net assets recorded (including goodwill) by approximately $268 million.

13. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2016 $000	2015 $000
Trade Payables and Accruals (i)	1,828	1,131
Deferred Revenue	73	32
Employee Related Payables (ii)	532	152
Sales Tax and Other Payables	166	147
Carrying amount of Trade and Other Payables	2,599	1,462

(i) The Group has elected to combine trade payables and accruals as one line item (Trade payables and accruals) for all current liabilities that are known and due. Other current liabilities that are based on accounting estimates are listed as Sales tax and other payables.

(ii) Employee related payables include expense reimbursements, commissions due to sales related personnel, and other employee related payables due and payable within twelve months.

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

FAIR VALUE

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

INTEREST RATE, FOREIGN EXCHANGE AND LIQUIDITY RISK

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

14. PROVISIONS

	2016 $000	2015 $000
Current		
Employee Benefits (i)	2,565	1,490
Warranty Provision	29	24
Office Lease — Make Good Provisions	8	–
	2,602	1,514
Non-Current		
Employee Benefits	64	62
Deferred Rent Liability	27	20
Office Lease — Make Good Provisions	24	22
	115	104

(i) The provision for current employee benefits primarily relates to the estimate for employee short-term incentives for the twelve-month, financial year 2016 period. The prior period provision relates to a six-month incentive period.

MOVEMENTS IN PROVISIONS

Movements in each class of provision during the financial year are set out below:

	ANNUAL LEAVE $000	STI $000	LONG SERVICE LEAVE $000	WARRANTY PROVISIONS $000	DEFERRED RENT LIABILITY $000	MAKE GOOD PROVISIONS $000
At 1 July 2015	453	1,037	62	24	20	22
Arising During the Year	472	2,073	2	63	23	19
Utilised	(294)	(1,220)	–	(58)	(15)	(9)
Unused Amounts Reversed	–	2	–	–	–	–
Exchange Differences	12	30	–	–	(1)	–
At 30 June 2016	643	1,922	64	29	27	32
At 30 June 2014	252	56	62	27	17	19
Arising During the Year	350	1,735	–	46	10	8
Utilised	(209)	(838)	–	(49)	(10)	(8)
Unused Amounts Reversed	–	(3)	–	–	–	–
Exchange Differences	60	87	–	–	3	3
At 30 June 2015	453	1,037	62	24	20	22

NATURE AND TIMING OF PROVISIONS

Employee benefits

Employee benefits comprise accrued entitlements for annual leave, performance pay and superannuation contributions (all current) and for long service leave (non-current). Refer to note 29(q) for the relevant accounting applied in the measurement of this provision.

Warranty provision

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

Deferred rent

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

Make good provision

To comply with office lease agreements, the Group must restore leased premises at its four corporate offices in Brisbane, Carlsbad, Bloomington and San Diego to the original condition at the end of each's respective lease term. Because of the nature of the liability, the greatest uncertainty in estimating the provision is the cost that will ultimately be incurred. The provision has been calculated using pre-tax discount rates of 5% for the Brisbane, 1% for both the Carlsbad and San Diego offices, and 2% for the Bloomington office.

15. CONTRIBUTED EQUITY

ORDINARY SHARES

	2016 **$000**	2015 $000
Ordinary Shares Fully Paid	218,807	147,349
	218,807	147,349

Ordinary shares fully paid include transaction costs of $4.0 million (2015: $1.9 million) pertaining to the cost of capital raised during the current reporting period. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	NUMBER OF SHARES	**$000**
At 1 July 2014	238,672,802	116,593
Issued During the Period as a Result of:		
Issue of Ordinary Shares	54,615,038	32,672
Transaction Costs	–	(1,916)
At 30 June 2015	293,287,840	147,349
Issued During the Period as a Result of:		
Issue of Ordinary Shares	**80,296,631**	**75,434**
Transaction Costs	–	**(3,976)**
At 30 June 2016	**373,584,471**	**218,807**

CAPITAL MANAGEMENT

	2016 **$000**	2015 $000
Total Borrowings (i)	2,599	1,462
Less Cash and Cash equivalents	(82,254)	(32,582)
Net Debt	(79,655)	(31,120)
Total Equity	85,254	34,837
Total Capital	5,599	3,717
Net Debt To Equity Ratio	N/A	N/A

(i) Trade and other payables

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

16. RESERVES

MOVEMENTS IN OTHER RESERVES

	PERFORMANCE SHARE RESERVE $000	SHARE OPTION RESERVE $000	FOREIGN CURRENCY TRANSLATION $000	TOTAL $000
At 1 July 2014	289	5,573	(49)	5,813
Foreign Currency Translation	–	–	3,543	3,543
Share-based Payment	253	1,550	–	1,803
At 30 June 2015	542	7,123	3,494	11,159
Foreign Currency Translation	–	–	2,422	2,422
Share-based Payment	572	1,945	–	2,517
At 30 June 2016	**1,114**	**9,068**	**5,916**	**16,098**

The Group currently maintains two long-term incentive plans for share-based payments. All options issued under the long-term incentive plans must be issued with an exercise price no less than fair market value. The actual exercise price will be determined by a committee of Directors, which is generally determined to be the Parent's volume weighted average stock price over the five days prior to the option grant. No options provide dividend or voting rights to the holders. Further details on share-based payments are provided in Note 18.

At 30 June 2016 there were 31,469,232 (30 June 2015: 28,702,207) unissued ordinary shares in respect of 28,709,232 (30 June 2015: 26,442,207) unlisted options, 2,760,000 (30 June 2015: 2,260,000) performance shares and nil (30 June 2015: nil) listed options.

NATURE AND PURPOSE OF RESERVES

Share option reserve and performance share reserve

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

Foreign currency translation reserve

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

17. KEY MANAGEMENT PERSONNEL (KMP)

COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2016	2015
	$	$
Short-term Employee Benefits (i)	4,983,578	3,573,776
Post-employment Benefits	93,854	70,168
Severance Benefits	264,676	–
Share-based Payment	1,898,683	1,454,030
Total Compensation (ii)	7,240,791	5,097,974

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

(ii) All Executive KMPs are based in the US and are paid in USD. The total compensation is therefore translated for financial reporting purposes to AUD on a monthly basis. The translation of compensation from USD to AUD caused a translation effect in increasing the applicable expense related compensation when compared to the prior reporting period. The average AUD to USD exchange rate for the current period was $0.73, while the average exchange rate for the prior reporting period was $0.84.

For additional detail related to the compensation of key management personnel please refer to the accompanying Directors' Report.

INTERESTS HELD BY KEY MANAGEMENT PERSONNEL

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

ISSUE DATE	EXPIRY DATE	EXERCISE PRICE	2016	2015
2008	2015	$0.72	–	53,166
2010	2016	$0.78	52,251	104,501
2011	2016	$0.70	50,000	50,000
2012	2017	$0.48	405,000	405,000
2013	2018	$0.11	2,936,300	2,936,300
2013	2019	$0.11	233,334	700,000
2013	2023	$0.35	7,252,561	7,252,561
2014	2018	$0.19	300,000	300,000
2014	2019	$0.21	2,680,550	2,797,216
2015	2021	$0.69	5,061,000	5,061,000
2015 (Performance Rights)	2018	–	2,104,000	2,104,000
2016	2022	$0.87	1,025,000	–
2016 (Performance Rights)	2020	–	500,000	–
2016	2022	$1.00	512,500	–
2016	2022	$1.03	650,000	–
			23,762,496	21,763,744

18. SHARE-BASED PAYMENT PLANS

RECOGNISED SHARE-BASED PAYMENT EXPENSES

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

	2016 $000	2015 $000
Expense Arising from Equity-settled share-based Payment Transactions — Employees (i)	1,928	1,535
Expense Arising from Equity-settled share-based Payment Transactions — Consultants (i)	17	15
Expense Arising from Equity-settled Performance Rights Payment Transactions — Employees	572	253
Total Expense Arising from Share-based Payment Transactions	2,517	1,807

(i) Share option grants to employees and consultants that were expensed during the year were valued under either the Black Scholes Model or the Monte Carlo valuation method. Under both valuation methods, a higher share price at the date of grant will often lead to a higher value per option. Options granted to employees and consultants during the year had a grant date pricing range of $0.87 to $1.03, whereas in the prior year the range was $0.44 to $0.69. The higher grant date prices on options granted during the year therefore led to higher valuations per option and a larger expense obligation for the period. Performance rights granted during the period were valued using the fair value of the share price on the date of issue.

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

Stakeholders and industry participants expect that the Group's remuneration framework should provide competitive and appropriate remuneration so that the company can attract and retain skilled employees and motivate them to improve Group performance. For all of financial year 2016, the Group operated under the Employee Incentive Plan for issuing and maintaining employee share option schemes.

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

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

18. SHARE-BASED PAYMENT PLANS (CONTINUED)

(A) TYPES OF SHARE-BASED PAYMENT PLANS

EMPLOYEE INCENTIVE PLAN (EIP)

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

Purpose of the EIP and the US Sub-Plan

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

Issue of options excluded from Group's 15% limit under ASX Listing Rule 7.1

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

Limits on Incentives to be issued under the Plan

The Board will not issue incentives which, once exercised or vested, result in Shares being issued under this Employee Incentive Plan, including any sub-plan, which comprise more in aggregate than 5% of the Group's issued capital at the issue date.

EIP plan terms and conditions

Incentives under the EIP include a Share, an Option, or a Performance Right. Incentives are granted to eligible employees of and collaborators with (collectively known as Participants) the Group at the discretion of the Board of Directors. In granting the incentives, which are issued for nil consideration, the Directors evaluate potential participants with respect to their abilities, experience, responsibilities and their contribution to the Group.

(A) TYPES OF SHARE-BASED PAYMENT PLANS (CONTINUED)

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

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

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

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

18. SHARE-BASED PAYMENT PLANS (CONTINUED)

(A) TYPES OF SHARE-BASED PAYMENT PLANS (CONTINUED)

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

US Sub-Plan

The US Sub-Plan is effective for a period of ten years from the date of its adoption by the Board, unless terminated earlier by the Board.

The maximum number of Shares which may be issued under the US Sub-Plan is 15 million Shares. However, as stated above, the Board will not issue Incentives under this plan which, once exercised or vested, result in Shares being issued which comprise more than 5% of the Group's issued capital at the issue date.

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

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

Share options

Share options are issued to eligible participants under the EIP. The Group issued 5,047,000 (2015: 7,245,000) share options to participants under the EIP during the current year.

For existing employees and consultants, share options issued during the period generally vest incrementally on each monthly anniversary of the date of grant in an amount equal to the product of 1/48th multiplied by the number of total options granted (with the monthly amounts rounded up and/or down to the nearest whole number).

For new employees and consultants, share options issued during the period generally vest on the one-year anniversary of the date of grant or of employment in an amount equal to the product of one-fourth multiplied by the number of total options granted. During the 36-month period after the one-year anniversary of the date of grant or of employment, the options will incrementally vest on each monthly anniversary of the date of grant or of employment in an amount equal to the product of 1/48th multiplied by the number of total options granted above (with the monthly amounts rounded up and/or down to the nearest whole number).

All then outstanding unvested Options shall fully vest on an accelerated basis as of immediately before a Change of Control Event.

Performance shares

Performance shares (or Performance Rights) are issued to eligible participants under the EIP in recognition of their contribution to the performance of the Group and are often subject to meeting individual performance hurdles. The Group issued 500,000 (2015: 2,260,000) performance rights to employees under the EIP during the current year.

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

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 weighted average stock price for ImpediMed Limited over the five working days prior to the grant date multiplied by the number of eligible shares. The number of eligible shares is measured using a combination of the probability of future service and the achievement of specific goals.

EMPLOYEE SHARE OPTION PLANS (ESOP)

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

5% limit under ASIC class order 03/184

The ESOP for the Australian employees follows the 5% limit under the ASIC class order 03/184 in relation to the total amount of shares that may be issued to Australian employees. One of these conditions is that the number of options offered to an eligible employee in Australia, when added to the number of securities previously issued under any employee incentive scheme (including options previously issued under the option plan and shares under an employee share plan) to Australian employees over the last five years (but excluding options that have since lapsed), is less than 5% of the total number of shares on issue at the time of the offer (5% limit). The class order also sets out a number of exceptions where the issue of securities in certain circumstances are excluded from the 5% limit calculation.

One relevant exception to the 5% limit calculation is the offer or issue of securities to persons outside Australia at the time they receive the offer. Accordingly, options offered to employees in the US under the Group's US ESOP are excluded from the 5% limit calculation.

18. SHARE-BASED PAYMENT PLANS (CONTINUED)

(A) TYPES OF SHARE-BASED PAYMENT PLANS (CONTINUED)

Issue of options excluded from Group's 15% limit under ASX Listing Rule 7.1

At the Group's November 2013 AGM, shareholders approved the issue of options under both the Australian ESOP and the US ESOP for the next three years for the purpose of exception 9 of ASX Listing Rule 7.2.

ESOP schemes terms and conditions

Share options are granted to eligible employees of and collaborators with the Group at the discretion of the Board of Directors. In granting the options, which are issued for nil consideration, the Directors evaluate potential participants with respect to their abilities, experience, responsibilities and their contribution to the Group.

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

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

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

CHIEF EXECUTIVE OPTION PLAN

Options issued under the chief executive option plan are issued outside the EIP and ESOP schemes when the Chief Executive is also a member of the Board of Directors. There were no options issued under the chief executive option plan during the current or prior year. All CEO option grants are subject to approval by the shareholders.

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

(B) SUMMARY OF OPTIONS AND PERFORMANCE RIGHTS

EMPLOYEE INCENTIVE PLANS (EIP)

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

SHARE OPTIONS

	2016		2015	
	NUMBER	**WAEP $**	NUMBER	WAEP $
Balance at the Beginning of the Year	7,195,000	0.67	–	
Granted During the Year (i)	5,047,000	0.94	7,245,000	0.68
Forfeited During the Year	(922,124)	0.79	(50,000)	0.85
Exercised During the Year	(11,876)	0.71	–	–
Balance at the End of the Year	11,308,000	0.78	7,195,000	0.67
Exercisable at 30 June 2016 (ii)	2,964,380	0.70	818,125	0.69

PERFORMANCE RIGHTS

	2016		2015	
	NUMBER	**WAEP $ (ii)**	NUMBER	WAEP $ (ii)
Balance at the Beginning of the Year	2,260,000	–	–	–
Exercised During the Year	500,000	–	2,260,000	–
Balance at the End of the Year	2,760,000	–	2,260,000	–
Exercisable at 30 June 2016	–	–	–	–

(i) All incentives granted during the current financial year were granted under the Employee Incentive Plan.

(ii) Certain options granted during 2016 and 2015 financial years vest on a monthly basis.

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

18. SHARE-BASED PAYMENT PLANS (CONTINUED)

(B) SUMMARY OF OPTIONS AND PERFORMANCE SHARES (CONTINUED)

EMPLOYEE SHARE OPTION PLANS (ESOP)

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

	2016		2015	
	NUMBER	**WAEP $ (i)**	NUMBER	WAEP $ (i)
Balance at the Beginning of the Year	19,247,207		19,404,866	0.29
Granted During the Year (ii)	–	–	825,000	0.44
Forfeited During the Year	(379,790)	0.39	(394,968)	0.31
Exercised During the Year	(1,259,357)	0.26	(387,548)	0.38
Expired During the Year	(206,828)	0.83	(200,143)	0.72
Balance at the End of the Year	17,401,232	0.28	19,247,207	0.29
Exercisable at 30 June 2016 (iii)	15,466,820	0.28	14,965,314	0.29

(i) Following the 2012 rights issues all outstanding options were re-priced pursuant to ASX Listing Rule 6.22 resulting in a reduction in exercise price of all outstanding options by approximately 1.8 cent per option.

(ii) Incentives granted before 30 October 2014 were granted under the ESOP. After 30 October 2014, no additional incentives will be granted under that plan.

(iii) Employees of the Group exercised options during the year. The weighted average share price of all options exercised was $0.28 (2015: $0.78).

The year-end balance is represented by:

	NUMBER OF OPTIONS	EXERCISE PRICE ($)(I)	EXPIRY DATE
EIP Share Options	6,494,000	0.6900	04 Dec 21
	208,334	0.4600	15 Dec 21
	50,000	0.8450	08 May 22
	1,726,500	0.8700	30 Jun 22
	512,500	1.0000	01 Jul 22
	100,000	1.0200	22 Aug 22
	150,000	0.9000	30 Sep 22
	150,000	0.8900	08 Dec 22
	950,000	1.0300	08 Dec 22
	250,000	1.0500	08 Dec 22
	91,666	0.4600	15 Dec 22
	625,000	0.8900	18 May 22
	11,308,000		
EIP Performance Rights	2,260,000	–	04 Dec 17
	150,000	–	01 JUL 18
	350,000	–	08 Dec 18
	2,760,000		
ESOP	16,667	0.6818	31 Dec 16
	127,117	0.7616	31 Dec 16
	180,000	0.7900	31 Dec 16
	50,000	0.4618	30 Jun 17
	300,000	0.4500	30 Jun 17
	16,667	0.6818	31 Dec 17
	95,000	0.4618	30 Jun 18
	1,292,965	0.1100	30 Jun 18
	16,666	0.6818	31 Dec 18
	15,000	0.5818	31 Dec 18
	135,000	0.4618	31 Dec 18
	175,000	0.1800	31 Dec 18
	1,292,964	0.1100	30 Jun 19
	229,800	0.2600	30 Jun 19
	525,500	0.4618	30 Jun 19
	30,000	0.5818	30 Jun 19
	175,000	0.1800	31 Dec 19
	1,344,038	0.1100	30 Jun 20
	125,000	0.4400	30 Jun 20
	100,000	0.1800	301 Dec 20
	233,334	0.1100	30 Jun 21
	3,346,353	0.2100	30 Jun 21
	76,600	0.2600	30 Jun 21
	125,000	0.4400	30 Jun 21
	125,000	0.4400	30 Jun 22
	7,252,561	0.3500	08 Jul 22
	17,401,232		
	29,209,232		

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

(i) Following the 2012 rights issues all outstanding options at that time were re-priced pursuant to ASX Listing Rule 6.22 resulting in a reduction in exercise price of all outstanding options by approximately 1.8 cents per option.

18. SHARE-BASED PAYMENT PLANS (CONTINUED)

(B) SUMMARY OF OPTIONS AND PERFORMANCE SHARES (CONTINUED)

CHIEF EXECUTIVE OPTION PLAN

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

(C) WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE

Employee share option plans

The weighted average remaining contractual life for the share options outstanding as at 30 June 2016 is 5.0 years (2015: 5.6 years). The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2016 is 1.6 years (2015: 2.4).

Chief executive option plan

There were no share options outstanding at 30 June 2016 under the CEO plan (2015: nil)

(D) RANGE OF EXERCISE PRICES

Employee share option plans

The range of exercise prices for options outstanding as at 30 June 2016 is $0.11-1.05 (2015: $0.11-0.85). The performance rights are issued at nil exercise price.

Chief executive option plan

There were no options outstanding under the chief executive option plan as at 30 June 2016 (2015: nil).

(E) WEIGHTED AVERAGE FAIR VALUE

Employee incentive plan (EIP)

The weighted average fair value of options granted during the year was $0.57 (2015: $0.40).

Employee share option plan (ESOP)

There were nil options granted under the ESOP during the year The weighted average fair value of options granted during the prior year was $0.26.

Chief executive option plan

There were no options granted under the CEO plan in financial year 2016 (2015: nil).

(F) OPTION PRICING MODEL

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

The following tables list the inputs in the models used for the financial years ended 30 June 2016 and 30 June 2015:

	EIP ISSUE 2016	EIP ISSUE 2015	ESOP ISSUE 2016	ESOP ISSUE 2015
Expected Volatility (%)	75	75	–	75
Risk Free Interest Rate (%)	2.7	2.7 – 3.0	–	3.00
Expected Life of Option (Years)	7	6 – 8	–	8
Option Exercise Price ($)	0.87 – 1.05	0.46 – 0.85	–	0.44
Option Share Price ($)	0.87 – 1.05	0.46 – 0.85	–	0.44
Calculated Fair Value ($)	0.47 – 0.68	0.23 – 0.55	–	0.23 – 0.28

Performance rights are valued at the share price on the date of issue using the five-day weighted average share price.

The dividend yield for all tranches was nil. The weighted average share price for all tranches at grant date was $0.57 in financial year 2016 (2015: $0.65).

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

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

19. INCOME TAX

INCOME TAX EXPENSE

The major components of income tax are:

	2016 $000	2015 $000
Current Income Tax		
Current Income Tax Benefit	–	–
Deferred Income Tax		
Related to Originiation and Reversal of Temporary Differences	–	–
Income Tax Benefit Reported In The Statement Of Comprehensive Income	–	–

TAX LOSSES

The Group has tax losses in Australia of $50.0 million (2015: $44.0 million) and tax losses in the US of USD $59.0 million (2015: USD $49.0 million) that are available for offset against future taxable profits of the companies in which the losses arose, subject to satisfying the relevant income tax loss carry forward rules. No deferred tax asset has been recorded in relation to these tax losses.

STATEMENT OF COMPREHENSIVE INCOME DISCLOSURE

	2016 $000	2015 $000
A Reconciliation Between Tax Expense and the Accounting Profit Before Income Tax Multiplied by the Group's Applicable Tax Rate is as follows:		
Accounting Profit / (Loss) Before Income Tax	(25,980)	(14,797)
At Australia's Statutory Income Tax Rate of 30%	(7,794)	(4,440)
Adjustment for Current Income Tax of Previous Years		
Expenditure not Allowable for Income Tax Purposes	2,366	784
Other Assessable Income	–	–
Non Assessable Income	(704)	(76)
Other Deductible Expenses	1,002	(162)
Foreign Tax Rate Adjustment	(1,566)	(1,099)
Tax Losses not Recognised	6,696	4,993
Income Tax Reported to the Statement of Comprehensive Income	–	–

DEFERRED TAX DISCLOSURES

	BALANCE SHEET		STATEMENT OF COMPREHENSIVE INCOME	
	2016 $000	2015 $000	**ESOP ISSUE 2016**	ESOP ISSUE 2015
Deferred Tax Assets				
Doubtful Debts	6	24	–	–
Employee Entitlements	263	173	–	–
s40-880 Costs	1,382	619	–	–
Patents and License Costs	482	371	–	–
Sundry Creditors and Accruals	74	88	–	–
Losses Available for Offset Against Future Taxable Income	45,687	35,860	–	–
Revenue Received in Advance	27	11	–	–
Inventory and Other Provisions	146	117	–	–
Unrealised Foreign Exchange Losses	(40)	(353)	–	–
Deferred Tax Liabilities				
Income not Derived for Tax Purposes	(7)	(2)	–	–
Property, Plant and Equipment	(24)	(21)	–	–
	47,996	36,887	–	–
Deferred Tax Assets not Recognisable	(47,996)	(36,887)	–	–

20. PARENT ENTITY INFORMATION

Information Relating to ImpediMed Limited:	**2016**	2015
	$000	$000
Current Assets	7,848	9,119
Total Assets	17,402	16,205
Current Liabilities	827	351
Total Liabilities	891	421
Issued Capital	218,807	147,349
Accumulated Losses	(212,478)	(139,230)
Performance Share Reserve	1,113	541
Share Option Reserve	9,069	7,124
Total Shareholders' Equity	16,511	15,784
Loss of the Parent Equity	(73,248)	(26,805)
Total Comprehensive Loss of the Parent Entity	(73,248)	(26,805)

Included in the increase in Issued capital to the Parent entity is the capital raise (Placement) during the financial year. Included in the Accumulated losses and Total comprehensive loss of the Parent entity is a transfer of funds down to a US subsidiary for US operations.

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

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

21. RELATED PARTY DISCLOSURE

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 2016	2015
ImpediMed, Inc.	United States	100	100
Xitron Technologies, Inc.	United States	100	100

ULTIMATE PARENT

ImpediMed Limited is the ultimate Australian parent entity.

Details relating to Directors, including remuneration paid, are included in note 17.

For the year ended 30 June 2016, and for the prior year, no transactions with Directors occurred that would be considered related party transactions. Transactions with these and all related parties are made at arm's length both at normal market prices and on normal commercial terms.

Terms and conditions of transactions with related parties:

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

KEY MANAGEMENT PERSONNEL (KMP)

Details relating to key management personnel, including remuneration paid, are included in note 17.

For the year ended 30 June 2016, there were no other transactions with KMP that would be considered related party transactions.

22. AUDITOR'S REMUNERATION

	2016 **$**	2015 $
Amounts Received or Due and Receivable By Ernst & Young Australia for:		
Audit and Review of Financial Report of the Entity	183,353	160,363
	183,353	160,363

23. COMMITMENTS

OPERATING LEASE COMMITMENTS

The Group is under lease for one (1) Australian-based facility and three (3) US-based facilities, with a range of less than one (1) to six (6) years remaining on the leases. In April 2015, the Group signed a two-year commercial lease extension for the Brisbane-based headquarters of the Parent entity. Commitments for facilities include base rental fees and an estimate for common-area-maintenance (CAM) fees, where applicable.

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

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2016 are as follows:

	2016 **$**	2015 $
Within One Year (i)	341	226
After One Year but not More Than Five	607	212
More Than Five Years	36	–
	984	438

(i) At 30 June 2016, $44,000 related to commitments of the Parent entity (2015: $65,000).

FINANCE LEASE COMMITMENTS

The Group does not currently have any open finance leases.

EXPENDITURE COMMITMENTS

At 30 June 2016 the Group has commitments of $1.9 million (2015: $0.8 million), of which $0.7 million relates to commitment of additional inventory builds.

	2016	2015
	$	$
Within One Year (i)	1,873	823
	1,873	823

(i) At 30 June 2016, $1,150,000 related to commitments of the Parent entity (2015: $204,000).

ROYALTY COMMITMENTS

At 30 June 2016 the Group has commitments for the payment of royalties, which are provided on product sales and are accrued and recognised for the year ended 30 June 2016.

24. CONTINGENCIES

LEGAL CLAIMS

At 30 June 2016, the Group has no known open claims or lawsuits against it.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 June 2016 or 2015.

CROSS GUARANTEES

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

25. EVENTS AFTER THE BALANCE SHEET DATE

On 11 August 2016, the Group launched SOZO™, the first product on its new population health platform that allows consumers and patients to measure and track their body composition, fluid status and hydration in a variety of settings. SOZO is an intuitive digital health device and wellness platform that combines bioimpedance spectroscopy (BIS) technology with artificial intelligence to create a rapid, non-invasive scan of a person's body providing a precise and repeatable snapshot of a person's body composition, fluid status and hydration. SOZO is available for global pre-order at www.hellosozo.com.

On 10 August 2016, the Group announced that Scripps Health will use the SOZO device in a validation study for monitoring patients with heart failure who are currently being tracked using pulmonary artery pressure monitoring. The validation study will provide real-world data necessary for the final design of the pivotal trial. The study is being led by Dr. J. Thomas Heywood, Director Heart Failure Recovery and Research Program, and Dr. Andrew Accardi, Chairman of Emergency Medicine. Both physicians are members of Scripps Health and ImpediMed's Medical Advisory Board.

On 9 August 2016, the Group announced that the US Food and Drug Administration (FDA) has issued new guidance surrounding digital health. The new FDA draft guidance, "Use of Real-World Evidence to Support Regulatory Decision-Making for Medical Devices" allows manufacturers of medical devices to use Real-World Evidence (RWE) to support their application for submission to FDA for clearance and/or approval. RWE refers to evidence of a product's performance and outcomes in settings outside of clinical trials, such as in hospitals, doctors' offices, and patients' homes. In addition, the FDA released their guidance document "General Wellness: Policy for Low Risk Devices." The policy states that the agency does not intend to examine low risk, general wellness products. General wellness products include devices and software which monitor health information. Devices and apps marketed to promote healthy behaviours have also been exempted by the FDA.

On 8 August 2016, the Group announced changes to its Board of Directors. Dr Michael Panaccio, a long-standing director, retired from the Board of Directors. In addition, Mr David Adams stood down from his position as non-executive Director and member of the Nomination and Audit and Risk Management Committees, to take on an executive role with ImpediMed, as Senior Vice President of Ventures, Licensing and Corporate Development. The Group is also pleased to announce that Mr Gary Goetzke joined the Board of Directors as a non-executive Director. Mr Goetzke has spent 15 years in senior management positions of three medical device companies where he led efforts in pursuing global coverage and payment policy for a variety of medical device therapies in the areas of cardiology, neurology, urology, pelvic health, wound care, orthopaedics, ENT, and sleep. All changes to the Board of Directors were effective 8 August 2016.

On 28 July 2016, the Group announced that it entered into a three-year joint development agreement with Mayo Clinic to advance new solutions for its fluid status and body composition monitoring technology in additional disease indications. Under the agreement, Mayo Clinic and ImpediMed will jointly develop new product solutions to address the needs of patients with chronic diseases while also improving the quality, outcomes and costs of patient care.

On 20 July 2016, the Group announced a partnership with Redox to expand the capabilities of electronic health record (EHR) integration for ImpediMed's next generation medical device. Through Redox's modern application programming interface (API) for EHR integration, the Group will look to streamline the interoperability of its device with multiple EHR vendors to create a user-friendly and data rich technology solution.

On 18 July 2016, the Group announced a partnership with Vanderbilt University for a series of patient and clinician human factors testing for the company's next generation technology platform. The university's unique ability to recreate the user experience in both clinical and at-home settings makes it an ideal partner for this project.

On 12 July 2016, the Centers for Medicare and Medicaid Services (CMS) published the proposed outpatient payment rates for calendar year 2017. Under the proposal, CMS has increased the payment rate for code 93702 when billed by a hospital outpatient facility to $US 127.42, an increase of 13.1%. Final payment rates will be released in November 2016, and the new rates will become effective 1 January 2017.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

RISK EXPOSURES AND RESPONSES

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

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

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

(A) INTEREST RATE RISK

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

	2016	2015
	$000	$000
Financial Assets		
Cash and Cash Equivalents (i)	82,254	32,582
Restricted Cash, Current and Non-current	78	93
	82,332	32,675
Net Exposure	82,332	32,675

(i) All of the Group's Cash and cash equivalents were considered on hand at the balance date, with the exception of two (2) open term deposit accounts totalling $3,000,000 [2015: nil]. The two term deposits are for $1,500,000 each and had original maturity dates of 5 July 2016 and 5 October 2016, respectively.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(A) INTEREST RATE RISK (CONTINUED)

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

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

At 30 June 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	POST TAX LOSS HIGHER / (LOWER)	
	2016	2015
	$000	$000
+1.0% (100 Basis Points)	823	327
-0.5% (50 Basis Points)	(412)	(163)

The movements in loss are due to higher/lower interest income from variable rate cash balances.

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on the Group's current credit rating and relationships with financial institutions and economic forecaster's expectations.
- The net exposure at the balance sheet date is representative of what the Group was and is expecting to be exposed to in the next twelve months from the balance sheet date.

(B) FOREIGN CURRENCY RISK

As a result of operations in the US and purchases of inventory denominated in United States dollars (USD), the Group's balance sheet can be affected by movements in the USD/AUD exchange rates. The Group has transactional currency exposure resulting from sales activities into the US and into Europe, and from its wholly owned subsidiaries ImpediMed, Inc and XiTRON Technologies, Inc – whose operations are denominated in USD. The Group does not enter into any forward contracts or any other instrument to hedge the currency exposure, as the Group maintains a significant portion of available funds in USD to match USD expected expenses.

(B) FOREIGN CURRENCY RISK (CONTINUED)

At 30 June 2016, the Group had the following exposure to foreign currency:

	2016 $000	2015 $000
Financial Assets		
Cash and Cash Equivalents — USD	262	1,207
Trade and Other Receivables — USD	–	10
Trade and Other Receivables — EUR (i)	16	4
Trade and Other Receivables — GBP (ii)	42	30
Trade and Other Receivables — NZD	1	–
	321	1,251
Financial Liabilities		
Trade and Other Payables — USD	133	16
	133	16
Net Exposure	188	1,235

(i) EUR is Euro

(ii) GBP is Great Britain Pound

At 30 June 2016, had the Australian dollar moved against the US dollar, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	POST TAX LOSS HIGHER / (LOWER)	
	2016 $000	2015 $000
AUD to USD +15% (2014: +15%)	(25)	(166)
AUD to USD -15% (2014: -15%)	28	210

During the period the Group moved USD $49.0 million from the Parent entity to the US subsidiaries in order to maintain funds to match USD expected expenses (2015: USD $20.5 million). In addition, the Parent entity held an additional USD $0.2 million in USD for future USD expenses (2015: USD $0.8 million).

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(B) FOREIGN CURRENCY RISK (CONTINUED)

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

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

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

(C) CREDIT RISK

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

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

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

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

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

There are no significant concentrations of credit risk within the Group and only $3,000,000 in outstanding term deposits held at the end of the financial year (2015: nil). The Group holds a large percentage of cash in Money Market accounts through Bank of America in the US. These accounts are not federally insured, but are highly rated and highly regulated investment funds that carry low risk of default.

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

(D) LIQUIDITY RISK

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. The Group has no bank overdrafts or bank loans at 30 June 2016.

The table below reflects all contractually fixed payments and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2016. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2016.

Maturity analysis of financial assets and liabilities

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

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

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

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(D) LIQUIDITY RISK (CONTINUED)

YEAR ENDED 30 JUNE 2016

	≤ 6 MONTHS $000	6–12 MONTHS $000	1–5 YEARS $000	TOTAL $000
Liquid Financial Assets				
Cash and Cash Equivalents	82,254	–	–	82,254
Restricted Cash	–	31	–	31
Trade and Other Receivables	3,507	–	–	3,507
Other Financial Assets	–	–	48	48
	85,761	31	48	85,840
Financial Liabilities				
Trade and Other Payables	2,576	23	–	2,599
Net Flow	83,185	8	48	83,241
Year Ended 30 June 2015				
Liquid Financial Assets	32,582	–	–	32,582
Cash and Cash Equivalents	–	–	31	31
Restricted Cash	633	–	–	633
Trade and Other Receivables	–	–	62	62
Other Financial Assets	33,215	–	93	33,308
Financial Liabilities				
Trade and Other Payables	1,456	6	–	1,462
Net Flow	31,759	6	93	31,846

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

27. FINANCIAL INSTRUMENTS

FAIR VALUES

Fair values have been determined as follows:

- Cash and cash equivalents: The carrying amount approximates fair value because of the short-term maturity and/or because the interest rates applied are variable interest rates
- Restricted cash: The carrying amount approximates fair value because the interest rates applied are variable interest rates.
- Trade receivables and payables: The carrying amount approximates fair value because of the short-term maturity.
- Other financial assets: By reference to the current market value of another instrument which is substantially the same or is calculated based on expected cash flows of the underlying net asset base of the financial asset.

Management have assessed that the fair values of the following assets approximate their carrying amounts:

	CARRYING AMOUNT		FAIR VALUE	
	2016 $000	2015 $000	**2016 $000**	2015 $000
Financial Assets				
Cash and Cash Equivalents	82,254	32,582	82,254	32,582
Restricted Cash	31	31	31	31
Trade and Other Receivables	3,507	633	3,507	633
Other Financial Assets	48	62	48	62
	85,840	33,308	85,840	33,308
Financial Liabilities				
Trade and Other Payables	2,599	1,462	2,599	1,462
	2,599	1,462	2,599	1,462

28. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS

Impairment of non-financial assets other than goodwill

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

The impairment triggers used by the Group did not show any indication of impairment as at 30 June 2016. As a result, no impairment has been formally estimated and no impairment loss has been recognised for this financial period. Refer to Note 12 for the complete details regarding impairment testing.

Taxation

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

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

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Impairment of goodwill and intangibles with indefinite useful lives

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

Research and development tax incentive

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

Share-based payment transactions

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

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The financial report of the Group for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 24 August 2016.

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

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

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

(B) COMPLIANCE WITH IFRS

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

(C) 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 Directors 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 in excess of 12 months from the date of signing this report due to the following:

As at 30 June 2016, the Group had net assets of $85.3 million (30 June 2015: $34.8 million) and realised a loss after income tax of $26.0 million for the year ended 30 June 2016 (30 June 2015: $14.8 million). At the same date, the market capitalisation of ImpediMed Limited was $353.0 million (30 June 2015: $253.4 million) and assets of the Group exceeded liabilities by a ratio of 17:1 (30 June 2015: 12:1).

The Group had cash at its disposal of $82.3 million at 30 June 2016 (30 June 2015: $32.6 million) and had no borrowings from banks or other financial institutions at that date.

The long-term success of the business beyond this time is reliant on the generation of positive cash flows and a possible future capital raise. The Directors believe the Group can achieve positive cash flow and, if required, raise the necessary capital.

On this basis, the Directors believe that the going concern basis of presentation is appropriate. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Parent and Group not continue as going concerns.

(D) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2016. The adoption of these Accounting Standards did not have a material impact on the Group's consolidated financial statements.

- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2016. For all standards except IFRS 9, IFRS 15 and IFRS 16 the Group does not believe that there will be a material financial impact to either the statement of comprehensive income or the balance sheet once these accounting standards are adopted. The Group is yet to assess the impact of IFRS 9, IFRS 15 and IFRS 16. These standards and interpretations are outlined in the table below:

REFERENCE	TITLE	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP*
AASB 9	Financial Instruments	1 January 2018	1 July 2018
AASB 15	Revenue from Contracts with Customers	1 January 2017	1 July 2017
AASB 2016	Leases	1 January 2019	1 July 2019
AASB 2015-1	Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	1 July 2016
AASB 2015-2	Disclosure Initiative: Amendments to AASB 101	1 July 2016	1 July 2016
AASB 2014-4	Clarification of acceptable Methods of Depreciation and Amortisation (Amendments to AASB 15 and AASB 138)	1 January 2016	1 July 2016

* Designates the beginning of the applicable annual reporting period.

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of ImpediMed Limited and its subsidiaries (as outlined in note 21) as at and for the period ended 30 June each year (the Group). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee,
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee,
- rights arising from other contractual arrangements,
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(F) OPERATING SEGMENTS — REFER TO NOTE 3

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.

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

(G) FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Both the functional and the presentation currency of the Parent are Australian dollars ($ or AUD). The US subsidiaries' functional currency is the United States dollar (USD) which is translated to the presentation currency.

Transactions & balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) FOREIGN CURRENCY TRANSLATION (CONTINUED)

Translation of Group Companies functional currency to presentation currency

The results of the US subsidiaries are translated into Australian Dollars (presentation currency) as at the average monthly exchange rate each month. Assets and liabilities are translated at exchange rates prevailing at balance date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in US subsidiaries are taken to the foreign currency translation reserve. If a US subsidiary were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in profit or loss.

(H) CASH AND CASH EQUIVALENTS — REFER TO NOTE 7

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of approximately three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(I) TRADE AND OTHER RECEIVABLES — REFER TO NOTE 8

Trade receivables, which generally have 30-90 day terms, are recognised at fair value less an allowance 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.

(J) INVENTORIES — REFER TO NOTE 9

Inventories including raw materials and finished goods are valued at the lower of cost and net realisable value.

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

(K) FINANCIAL ASSETS — REFER TO NOTE 10

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

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.

Recognition and De-recognition

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are de-recognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it de-recognises the asset if it has transferred control of the asset.

Subsequent Measurements — loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance sheet date, which are classified as non-current.

(L) PLANT, MACHINERY AND EQUIPMENT — REFER TO NOTE 11

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

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

Plant, Machinery and Equipment	2 – 10 years
Devices under lease, PSA or loan	3 years
Leasehold improvements	2 – 5 years

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

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) PLANT, MACHINERY AND EQUIPMENT — REFER TO NOTE 11

De-recognition

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

(M) LEASES — REFER TO NOTE 11 AND 23

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

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

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

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

Group as a lessor

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

(N) IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL – REFER TO NOTE 12

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(O) GOODWILL AND INTANGIBLES — REFER TO NOTE 12

Goodwill

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

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

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

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) GOODWILL AND INTANGIBLES — REFER TO NOTE 12 (CONTINUED)

Goodwill (continued)

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

The Group performs its impairment testing as at 30 June each year and more frequently if indicators of impairment exist, using a value in use, discounted cash flow methodology. Further details on the methodology and assumptions used are outlined in Note 12.

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

Intangibles

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following initial recognition, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected benefit from the related project.

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

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

	PATENTS AND LICENSES	DEVELOPMENT COSTS (i)
Useful Lives	Finite	Finite
Method Used	Amortised over the period of expected future benefit from the related project on a straight-line basis.	Amortised over the period of expected future benefit from the related project on a straight-line basis.
Internally generated/ Acquired	Acquired	Internally generated
Impairment test/ Recoverable amount test	When an indication of impairment exists	Internally generated

(i) No development costs have been capitalised as internally generated intangible assets for the years ended 30 June 2016 and 2015. No such amounts have been recorded at the balance sheet dates.

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

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

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(P) TRADE AND OTHER PAYABLES — REFER TO NOTE 13

Trade payables and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect to the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-90 days of recognition.

(Q) PROVISIONS AND EMPLOYEE BENEFITS — REFER TO NOTE 14

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

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

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

Employee leave benefits

Wages, salaries, annual leave and sick leave liabilities for wages and salaries, including non-monetary benefits, and superannuation payments expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Retirement benefit obligation

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

Long service leave

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

(R) SHARE-BASED PAYMENT TRANSACTIONS — REFER TO NOTE 18

Equity-settled transactions

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

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

- The Employee Incentive Plan (EIP), which provides benefits in the form of shares, options or performance shares to employees and consultants, including the CEO if he or she is not a member of the Board of Directors. This plan has a US Sub-Plan established as an appendix to the EIP.
- the Employee Share Option Plans (ESOP), which provides benefits to employees and consultants, including the CEO if he or she is not a member of the Board of Directors. This Group has two (2) ESOPs – one for US based employees and one for Australian based employees; and
- the CEO Option Plan, which provides benefits to the CEO when a member of the Board of Directors.

All options granted in the current year between 1 July 2014 – 29 October 2014 were granted under the ESOP. All incentives granted in the current year between 30 October 2014 – 30 June 2014 were granted under the EIP. As of 30 October 2014 the ESOP plan was closed from issuing new grants. No options or shares were issued under the CEO Option Plan during the current or prior year, but the plan remain open for potential grants in future years.

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

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

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

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(R) SHARE-BASED PAYMENT TRANSACTIONS — REFER TO NOTE 18 (CONTINUED)

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

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

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

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

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

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

(S) CONTRIBUTED EQUITY — REFER TO NOTE 15

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

(T) REVENUE RECOGNITION — REFER TO NOTES 4 AND 5

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the direct sales of devices and consumables is recognised when there is persuasive evidence, usually in the form of a purchase order or an executed sales agreement at the time of shipment of goods to the consumer indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed (for shipped goods this is the bill of lading date).

Rendering of services

Revenue from the repair of instruments is recognised when the service has been performed and the obligation is due from the customer.

When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Device operating leases

Revenue from device operating leases is accounted for on a straight line basis over the lease term.

Interest revenue

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

Tax incentive revenue

The Australian Taxation Office (ATO) provides certain Research and Development tax incentives and concessions under the AusIndustry R&D Tax Incentive program. The program is a broad-based entitlement program that aims to promote innovation within Australia for eligible R&D activities. Prior to the 2016 financial year, the Group recognised these incentives or concessions as other income when the incentive or concession was received in cash and all revenue recognition criteria have been met, as this was when there was reasonable assurance amounts would be received Consistent with prior years the Group accrues for amounts when there is reasonable assurance of receipt. Whilst there is a judgement involved in when there is reasonable assurance, as the Group now has a past history of successful lodgings and receipt with the ATO this is expected to be in the year the R&D expense is incurred. Any difference between the amount accrued and the actual cash received will be recognised in the year of receipt. Previously reasonable assurance was deemed to occur when the cash was received.

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(U) INCOME TAX AND OTHER TAXES — REFER TO NOTE 19

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

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

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

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

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

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

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

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

Other taxes

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

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

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

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

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

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

Receipts from customers are included in the Cash Flow Statement including sales tax amounts collected which are payable to the taxation authority. Cash flows on expenses and assets are included in the Cash Flow Statement on a gross basis and are classified as operating, investing or financing cash flows as appropriate.

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(V) EARNINGS PER SHARE — REFER TO NOTE 1

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 carrying 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; and
- 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.

(W) COMPARATIVES

Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures.

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

1. In the opinion of the Directors of ImpediMed Limited:

   (a) the consolidated financial statements and notes and the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001, including

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

   (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 29.

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2016.

On behalf of the Board

Cherrell Hirst AO
Chairman

Elizabeth Gaines
Director

Brisbane, 24 August 2016

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Independent auditor's report to the members of ImpediMed Limited

We have audited the accompanying financial report of ImpediMed Limited, which comprises the consolidated balance sheet as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 29, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of ImpediMed Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 29.

Building a better working world

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of ImpediMed Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

K McKenzie

Kellie McKenzie
Partner
Brisbane
24 August 2016

SHAREHOLDER INFORMATION (UNAUDITED)

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 11 August 2016.

(A) DISTRIBUTION OF SHAREHOLDERS

The distribution of issued capital is as follows:

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	ORDINARY SHARES	% OF ISSUED CAPITAL
100,001 and Over	240	335,493,707	91.47
10,001 to 100,000	957	32,622,690	6.63
5,001 to 10,000	441	3,569,542	1.07
1,001 to 5,000	657	2,014,111	0.66
1 to 1,000	387	176,089	0.17
Total	**2,682**	**373,876,139**	**100.00**

(B) DISTRIBUTION OF OPTIONS HOLDERS

The distribution of unquoted Options on issue are:

SIZE OF HOLDING	NUMBER OF HOLDERS	UNLISTED OPTIONS	% OF OPTIONS
100,001 and Over	33	26,781,129	95.15
10,001 to 100,000	24	1,342,660	4.77
5,001 to 10,000	3	21,275	0.08
1,001 to 5,000	–	–	–
1 to 1,000	–	–	–
Total	**60**	**28,145,064**	**100.00**

(C) DISTRIBUTION OF PERFORMANCE RIGHTS HOLDERS

The distribution of unquoted Performance Rights on issue are:

SIZE OF HOLDING	NUMBER OF HOLDERS	UNLISTED PERF. RIGHTS	% OF OPTIONS
100,001 and Over	7	2,544,000	91.68
10,001 to 100,000	6	231,000	8.32
5,001 to 10,000	–	–	–
1,001 to 5,000	–	–	–
1 to 1,000	–	–	–
Total	**13**	**28,145,064**	**100.00**

(D) LESS THAN MARKETABLE PARCELS OF ORDINARY SHARES

There are 168 shareholders with unmarketable parcels totalling 1,931 shares.

(E) 20 LARGEST SHAREHOLDERS

The twenty largest shareholders of quoted equity securities are as follows:

	SHAREHOLDER	NUMBER OF FULLY PAID ORDINARY SHARES	% ISSUED CAPITAL
1	HSBC Custody Nominees (Australia) Limited	65,566,496	17.54
2	J P Morgan Nominees Australia Limited	63,220,410	16.91
3	Citicorp Nominees Pty Limited	30,946,350	8.28
4	National Nominees Limited	24,467,908	6.54
5	Starfish Technology Fund 1 Lp	24,285,465	6.50
6	BNP Paribas Noms Pty Ltd	14,385,274	3.85
7	UBS Nominees Pty Ltd	11,644,138	3.11
8	BNP Paribas Nominees Pty Ltd	7,160,307	1.92
9	Perpetual Corporate Trust Ltd	5,917,025	1.58
10	HSBC Custody Nominees (Australia) Ltd	3,255,057	0.87
11	Thorpe Road Nominees Pty Ltd	3,011,288	0.81
12	Statewide Superannuation Pty Ltd	2,785,397	0.75
13	Bond Street Custodians Limited	2,092,308	0.56
14	Pakasoluto Pty Limited	1,986,286	0.53
15	Sandhurst Trustees Ltd	1,954,778	0.52
16	Parma Corporation Pty Ltd	1,946,046	0.52
17	Citicorp Nominees Pty Limited	1,863,864	0.50
18	Moore Family Nominee Pty Ltd	1,800,000	0.48
19	ABN Amro Clearing Sydney Nominees Pty Ltd	1,723,550	0.46
20	Austral Capital Pty Ltd	1,250,000	0.33
	TOTALS	**271,261,947**	**72.55%**
	TOTAL QUOTED EQUITY SECURITIES	**127,477,311**	

SHAREHOLDER INFORMATION (UNAUDITED) (CONTINUED)

(F) UNQUOTED EQUITY SECURITIES

The Company had the following unquoted securities on issue as at 11 August 2016:

60 Holders Of Options Issued As Part Of An Incentive Scheme: 28,145,064

The Company had the following unquoted performance rights on issue as at 11 August 2016:

13 holders of performance rights issued as part of an incentive scheme: 2,775,000

(G) SUBSTANTIAL SHAREHOLDERS

The names of the Substantial Shareholders listed in the Company's Register as at 11 August 2016:

SHAREHOLDER	NUMBER OF FULLY PAID ORDINARY SHARES	% OF ISSUED CAPITAL
Allan Gray Australia Pty Ltd And Its Related Bodies Corporate	48,791,564	14.44
FIL Limited And Its Related Bodies Corporate	30,920,035	8.29
Starfish Technology Fund 1, Lp And Related Persons And Bodies Corporate	25,238,045	6.77
UBS Group AG And Its Related Bodies Corporate	19,716,776	5.27
Kinetic Investment Partners Ltd	19,302,767	5.17
Total	**143,969,187**	**39.94**

(H) RESTRICTED SECURITIES

The Company had no restricted securities on issue as at 11 August 2016.

(I) VOTING RIGHTS

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid ordinary share, on a poll.

(J) ON-MARKET BUY-BACKS

There is no current on-market buy-back in relation to the Company's securities.

www.impedimed.com
www.hellosozo.com