



ImpediMed Limited
1/50 Parker Court
Pinkenba, QLD, 4008
Australia

E: investorrelations@impedimed.com
W : impedimed.com

27 February 2024

Companies Announcements Office
Australian Securities Exchange

Appendix 4D and Interim Financial Report

In accordance with ASX Listing Rule 4.2A, ImpediMed Limited (ASX:IPD) provides the attached Appendix 4D and Interim Financial Report for the half-year ended 31 December 2023.

Approved for release by the Board of ImpediMed Limited.

For more information, contact Leanne Ralph, Company Secretary, at
leanne.ralph@bellev.com.au

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ImpediMed Limited

ABN 65 089 705 144

Appendix 4D

for the half-year ended 31 December 2023
(previous corresponding period: half-year ended 31 December 2022)

The information contained in this document should be read in conjunction with the financial statements for the year ended 30 June 2023 and any public announcements made by ImpediMed Limited and its controlled entities (the "Group") during the interim reporting period in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

2 Results for announcement to the market

	Current period	Increase / Decrease	Movement %
	\$000		
2.1 Revenue from ordinary activities	4,784	Decrease	(16%)
2.2 Loss from ordinary activities after tax attributable to members	-9,718	Increase	(10%)
2.3 Net loss for the period attributable to members	-9,718	Increase	(10%)
2.4 Dividends	NIL		
There were no dividends declared and paid during the half year on ordinary shares. There were no dividends proposed and not yet recognised as a liability during the half year.			
2.5 Dividend Record Date	Not applicable		
2.6 Explanation of operating performance	Refer to the Directors' Report.		

3 Net tangible assets per ordinary security

	Current period	Previous corresponding period
	\$	\$
Net tangible assets (\$000)	50,990	40,721
Issued share capital at reporting date (\$000)	336,147	307,563
Number of shares on issue at reporting date	2,023,307,922	1,783,486,655
Net tangible assets per ordinary security	0.03	0.02

4 Acquisitions and divestments

N/A

5 Details of dividends

There were no dividends paid during the period or payable at 31 December 2023.

6 Dividend Reinvestment Plans

The Group has no dividend reinvestment plan.

7 Associates and joint ventures

There are no equity accounted associates and joint venture entities.

8 Accounting standards

The Financial Report for the group has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards.

9 Auditors' review report

The review report prepared by the independent auditor Ernst & Young is not subject to any dispute or qualification, and is provided with the half-year Financial Report.

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HALF-YEAR REPORT
31 December 2023

The information in this report should be read in conjunction with the 30 June 2023 Annual Report.

Directors' report

For the half-year ended 31 December 2023

Your Directors submit their report together with the consolidated interim financial report for ImpediMed Limited (the Company) and its subsidiaries (together the Group) for the half-year ended 31 December 2023, and the Auditor's review report thereon.

Principal activities

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

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

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

Directors

Following a vote of shareholders at a General Meeting that was held on 28 September 2023, Directors Donald Williams, Amit Patel, David Anderson and Daniel Sharp were replaced with incoming Directors McGregor Grant, Christine Emmanuel-Donnelly, Andrew Grant and Janelle Delaney. McGregor Grant was appointed as Chair of the Board of Directors. Subsequently, on 2 October 2023, Janet West resigned as a Non-Executive Director and, on 20 November 2023, Dr Michael Seiden also resigned as Non-Executive Director.

On 20 November 2023, ImpediMed announced that Rick Valencia had stepped down from his role as Managing Director and CEO, and Tim Cruickshank had stepped down as CFO for the Company. At the same time, Chair McGregor Grant was appointed CFO, effective immediately initially on an interim basis and became Executive Chair. Dr Parmjot Bains was appointed as CEO and Managing Director, also initially on an interim basis, and commenced in that role on 8 January 2024.

Review of results and operations

Total revenue for the half-year ended 31 December 2023 was \$4.8 million, down \$0.9 million or 16% compared with \$5.7 million in the prior corresponding period. The decrease in revenue was primarily due to the completion of clinical trials conducted by AstraZeneca, which was \$0.1 million in the current period compared with \$1.2 million in the prior corresponding period.

Cost of goods sold for the current period was \$0.6 million compared with \$0.8 million in the prior corresponding period. Gross margin as a percent of revenue was 87% compared with 86% in the prior corresponding period.

Total operating expenses for the half-year ended 31 December 2023 was \$17.1 million, compared with \$17.1 million in the prior corresponding period.

Other income for the half-year ended 31 December 2023 was \$2.4 million compared with \$1.1 million in the prior corresponding period. The increase in other income resulted from a one-time government grant received in the current period. Further details are set out in note 6 of the consolidated interim financial report.

Cash and cash equivalents were \$36.9 million at 31 December 2023 compared with \$45.7 million at 30 June 2023.

Net cash used in operating activities for the period ended 31 December 2023 was \$6.8 million compared with \$12.2 million in the prior corresponding period. The net cash used in operating activities in the period included a government grant of \$1.7 million received in the period (31 December 2022: \$nil), and interest income of \$0.9 million compared with \$0.3 million in the prior corresponding period.

Net cash flows used in investing activities period ended 31 December 2023 was \$1.7 million compared with \$2.7 million in the prior corresponding period. The decrease in net cash flows used in investing activities is primarily related to the SOZO Pro development nearing completion.

Subsequent events

On 8 January 2024, Dr. Parmjot Bains commenced as Managing Director and Chief Executive Officer in an interim capacity. On 26 February 2024, current independent Non-Executive Director Christine Emmanuel-Donnelly was appointed as Chair of the Board.

Rounding

The amounts contained in this report and in the interim consolidation financial statements have been rounded to the nearest \$1,000 (where rounding is applicable) and where noted (\$'000) under the option available to the Company under ASIC Instrument 2016/191. The Company is an entity to which that instrument applies.

Auditor's Independence Declaration and Non-Audit Services

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

This report is made and signed in accordance with a resolution of the Directors pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Andrew Grant
Director

27 February 2024

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**Building a better
working world**

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

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

As lead auditor for the review of the half-year financial report of ImpediMed Limited for the half-year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Madhu Nair
Partner
27 February 2024

Directors' declaration

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity for the half-year ended 31 December 2023 are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance of the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Andrew Grant
Director

27 February 2024

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INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2023

	Notes	2023 \$000	2022 \$000
Revenue from contracts with customers	5	4,784	5,655
Cost of goods sold		(632)	(811)
Gross profit		4,152	4,844
Operating expenses			
Salaries and benefits	7	(10,971)	(10,985)
Share-based payments	12	154	59
Consulting and professional fees		(1,821)	(1,558)
Administrative and governance		(1,537)	(1,292)
Depreciation and amortisation		(1,164)	(1,159)
Travel		(773)	(512)
Clinical trials and research & development		(125)	(487)
Other expenses		(832)	(1,127)
Total operating expenses		(17,069)	(17,061)
Other income	6	2,385	1,104
Loss from operations		(10,532)	(11,113)
Net finance income	6	834	321
Net loss before tax		(9,698)	(10,792)
Income tax expense		(20)	(23)
Net loss after tax		(9,718)	(10,815)
Other comprehensive income			
Items that may be reclassified as profit:			
Foreign currency translation gain		(77)	546
Other comprehensive gain for the period, net of tax		(77)	546
Total comprehensive loss		(9,795)	(10,269)
		Cents	Cents
Basic and diluted loss per share	3	(0.05)	(0.06)

The above Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	As at 31 Dec 2023 \$000	As at 30 Jun 2023 \$000
ASSETS			
Current assets			
Cash and cash equivalents	8	36,905	45,710
Trade and other receivables	9	2,215	3,843
Contract assets		446	541
Inventories		900	810
Prepayments and other current assets		1,037	1,031
Total current assets		41,503	51,935
Non-current assets			
Other financial assets		48	78
Right of use asset		1,233	1,412
Property and equipment		437	539
Intangible assets	10	15,372	14,772
Total non-current assets		17,090	16,801
Total assets		58,593	68,736
LIABILITIES			
Current liabilities			
Trade and other payables		2,495	2,227
Contract liabilities		1,267	1,031
Provisions		1,856	2,288
Interest bearing lease liabilities		310	300
Total current liabilities		5,928	5,846
Non-current liabilities			
Contract liabilities		513	422
Interest bearing lease liabilities		963	1,147
Provisions		199	442
Total non-current liabilities		1,675	2,011
Total liabilities		7,603	7,857
Net assets		50,990	60,879
EQUITY			
Issued capital	11	336,147	336,087
Reserves		35,723	35,954
Accumulated losses		(320,880)	(311,162)
Total equity		50,990	60,879

The above Interim Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2023

	Notes	Reserves			Accumulated losses \$000	Total \$000	
		Issued capital \$000	Share based payments \$000	Foreign currency \$000			Total reserves \$000
At 1 July 2022		307,558	27,154	6,973	34,127	(290,641)	51,044
Loss for the period from continuing operations		-	-	-	-	(10,815)	(10,815)
Other comprehensive gain		-	-	546	546	-	546
Total comprehensive loss for the period		-	-	546	546	(10,815)	(10,269)
Equity transactions:							
Share-based payments	12	-	(59)	-	(59)	-	(59)
Allotment of ordinary shares		5	-	-	-	-	5
At 31 December 2022		307,563	27,095	7,519	34,614	(301,456)	40,721
At 1 July 2023		336,087	27,908	8,046	35,954	(311,162)	60,879
Loss for the period		-	-	-	-	(9,718)	(9,718)
Other comprehensive gain		-	-	(77)	(77)	-	(77)
Total comprehensive loss for the period		-	-	(77)	(77)	(9,718)	(9,795)
Equity transactions:							
Share-based payments	12	-	(154)	-	(154)	-	(154)
Allotment of ordinary shares	11	60	-	-	-	-	60
At 31 December 2023		336,147	27,754	7,969	35,723	(320,880)	50,990

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December

	Notes	2023 \$000	2022 \$000
Cash flows from operating activities			
Receipts from customers (inclusive of GST and US sales tax)		5,949	5,571
Payments to Suppliers (inclusive of GST and US sales tax)		(6,024)	(7,809)
Payments to employees		(10,955)	(11,936)
Interest received		870	314
Other receipts		3,386	1,667
Net cash flows used in operating activities		(6,774)	(12,193)
Cash flows from investing activities			
Purchase of property and equipment		(81)	(231)
Development expenditures and purchase of intangibles		(1,591)	(2,446)
Net cash flows used in investing activities		(1,672)	(2,677)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	11	58	15
Transaction costs from capital raising	11	(62)	(7)
Repayment of grant		-	(149)
Payment of lease liabilities		(237)	(196)
Net cash flows used in financing activities		(241)	(337)
Net decrease in cash and cash equivalents		(8,687)	(15,207)
Net foreign exchange differences		(118)	674
Cash and cash equivalents at beginning of the period		45,710	40,730
Cash and cash equivalents at end of the period	8	36,905	26,197

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

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1. Basis of preparation

ImpediMed Limited (the Company) is listed public company limited by shares and incorporated in Australia. The interim consolidated financial statements of the Company as at and for the half-year ended 31 December 2023 comprises ImpediMed Limited and its subsidiaries (the Group). The interim consolidated financial statements are presented in Australian dollars.

The interim consolidated financial statements for the half-year ended 31 December 2023 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

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

The interim consolidated financial report should be read in conjunction with the annual report for the year ended 30 June 2023 and considered together with any public announcements made by the Group during the half-year ended 31 December 2023 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

The interim consolidated financial statements of ImpediMed Limited for the half-year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 27 February 2024.

Going Concern

These interim consolidated financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group had cash of \$36.9 million at 31 December 2023 (30 June 2023: \$45.7 million) and no borrowing from banks or other financial institutions at that date. The Group incurred a net loss of \$9.7 million for the half-year ended 31 December 2023 (31 December 2022: \$10.8 million). The Group had \$6.8 million (31 December 2022: \$12.2 million) of net cash outflows from operations.

Whilst the Group continues to generate operating losses and net cash outflows from operations, the Group's future viability is dependent upon managing existing cash balances and achieving increased cash inflows from cash receipts from customers. The Directors are confident the Group will be able manage cashflows and continue to be able to pay its debts as and when they fall due for a period in excess of 12-months from the date the financial report has been signed and thus continue as a going concern. On this basis, the going concern basis of accounting has been used.

Reclassification

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

2. Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group accounts for its revenue in accordance with AASB15.

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3. Earnings per share (EPS)

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

	31 Dec 2023 \$000	31 Dec 2022 \$000
Net loss attributable to ordinary equity holders of the parent used in calculating earnings per share	(9,718)	(10,742)
	Number	Number
Weighted average number of ordinary shares used in calculating earnings per share	1,997,847,129	1,781,514,781
	Cents	Cents
Basic and diluted loss per share	(0.5)	(0.6)

Basic EPS is calculated as net loss attributable to members of the parent entity, 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 EPS is calculated as the net loss attributable to ordinary equity holders dividing by the sum of the weighted average number of ordinary shares and the weighted average number of convertible instruments. For the half-year ended 31 December 2023, 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 at 31 December 2023, there were 54,480,972 (31 December 2022: 62,066,222) options and 20,524,066 (31 December 2022: 16,384,500) performance rights on issue.

4. Dividends

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

5. Segment reporting

Operating segment

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, the Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

For the half-year ended 31 December 2023, consistent with the prior year, the Group identified the Medical segment as the sole operating segment. During the year, the Chief Executive Officer reviewed the business revenue information within the Medical segment, consisting of the Group's SOZO and Legacy product lines, consistent with the previous financial year. The primary focus during the period for the Medical segment is the continued commercialisation of SOZO.

For the half-year ended 31 December 2022, the Company reported revenue associated with sale of devices separately from recurring subscription revenue. For this period, as the device is an integral part of the ongoing service provided, the Company reported all revenue associated with each contract as Revenue from Contracts with Customers, recognised over the term of each contract.

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

SOZO – Core business

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

SOZO – Clinical business

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

Types of products

The principal products and services of the Medical segment are the development, manufacture and sale of BIS systems and software services with a focus on the early detection of lymphoedema and heart failure.

Major customers

The Group has several customers to which it provides both products and services. In the Medical segment, nil (2023: one) customer accounted for more than 10% of the Group's revenues. However, the Group does not believe there is inherent risk for future financial years that would stem from reliance on revenue growth from any one customer.

Segment revenue and gross margin

At 31 December 2023

	SOZO – Core business \$000	SOZO – Clinical business \$000	Total SOZO \$000	Legacy \$000	Other \$000	Total \$000
Medical						
Revenue						
Revenue from contracts with customers	4,350	121	4,471	231	-	4,702
Other revenue	-	-	-	-	82	82
Total revenue	4,350	121	4,471	231	82	4,784
Cost of goods						
Costs from contracts with customers			(364)	(70)	(1)	(435)
Other costs			(178)	(10)	(9)	(197)
Total cost of goods			(542)	(80)	(10)	(632)
Gross margin						
Gross margin – contracts with customers			4,107	161	(1)	4,267
Gross margin - other			(178)	(10)	73	(115)
Total gross margin			3,929	151	72	4,152
Gross margin %						
Contracts with customers			92%	70%	-	91%
Total gross margin			88%	65%	89%	87%

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At 31 December 2022

	SOZO – Core business \$000	SOZO – Clinical business \$000	Medical Total SOZO \$000	Legacy \$000	Other \$000	Total \$000
Revenue						
Recurring subscription and consumable revenue from contracts with customers	3,532	1,063	4,595	161	-	4,756
Recurring device revenue from leases	-	116	116	-	-	116
Device revenue from contracts with customers	562	-	562	174	-	736
Other revenue	-	-	-	-	47	47
Total revenue	4,094	1,179	5,273	335	47	5,655
Cost of goods						
Cost of recurring subscription and consumable revenue from contracts with customers			(264)	(7)		(271)
Cost of recurring device revenue from leases			(93)	-	-	(93)
Cost of device revenue from contracts with customers			(220)	(73)	-	(293)
Other costs			(139)	(8)	(7)	(154)
Total cost of goods			(716)	(88)	(7)	(811)
Gross margin						
Gross margin - recurring subscriptions and Consumables			4,331	154	-	4,485
Gross margin - recurring devices			23	-	-	23
Gross margin - devices			342	101	-	443
Gross margin - other revenue			(139)	(8)	40	(107)
Total gross margin			4,557	247	40	4,844
Gross margin %						
Recurring subscriptions and consumables			94%	96%	-	94%
Gross margin - recurring devices			20%	-	-	20%
Gross margin - devices			61%	58%	-	60%
Total gross margin			86%	74%	85%	86%

Geographical segments

The following tables present revenue and certain asset and liability information regarding geographical segments for the half-year ending 31 December 2023. Revenue data is based on the location of the customer for geographical reporting purposes.

Australia / Rest of World (ROW)

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

North America

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

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Geographical segment revenue

At 31 December 2023	Australia/ROW \$000	North America \$000	Total \$000
Revenue	440	4,141	4,581
Other revenue	30	52	82
Total segment revenue	470	4,193	4,663
Unallocated revenue (i)			121
Total revenue			4,784

At 31 December 2022	Australia/ROW \$000	North America \$000	Total \$000
Revenue from subscriptions and consumables	231	3,462	3,693
Revenue from devices	277	460	737
Other revenue	28	19	47
Total segment revenue	536	3,941	4,477
Unallocated revenue (i)			1,178
Total revenue			5,655

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

Segment assets

All segment assets relating to the Group's operating segments as at 31 December 2023 are Medical.

6. Finance and other income

Other income	31 Dec 2023 \$000	31 Dec 2022 \$000
R&D tax incentive (i)	538	1,082
Proceeds from tax refunds, grants, and other (ii)	1,847	22
Total other income	2,385	1,104

(i) The Group receives payments for research & development (R&D) tax credits under the AusIndustry R&D Tax Incentive program. The Group accrues for amounts when there is reasonable assurance of receipt. Whilst there is a judgment involved in when there is reasonable assurance, the Group has a history of successful lodgings and receipts with the Australian Tax Office.

(ii) The Group received grant funds from the Employee Retention Tax Credit, a non-refundable stimulus grant from the US government.

Net finance income	31 Dec 2023 \$000	31 Dec 2022 \$000
Interest income – term deposits	883	326
Interest expense – lease liability	(49)	(5)
Total net finance income	834	321

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7. Salaries and benefits

	31 Dec 2023 \$000	31 Dec 2022 \$000
Wages and salaries	9,051	9,067
Short-term Incentives and sales commissions	1,320	1,476
Employee benefits	756	682
Superannuation	302	339
Taxes and other	534	701
Annual leave & long service leave	144	(139)
Capitalised employee costs	(1,136)	(1,141)
	10,971	10,985
Share-based payments	(154)	(59)
Total salaries and benefits	10,817	10,926

8. Cash and cash equivalents

	As at 31 Dec 2023 \$000	As at 30 Jun 2023 \$000
Cash at bank and in hand	19,915	32,162
Short-term deposits	16,990	13,548
Cash and cash equivalents	36,905	45,710

9. Trade and other receivables

	As at 31 Dec 2023 \$000	As at 30 Jun 2023 \$000
Trade receivables	1,819	2,396
Allowance for expected credit losses	(255)	(312)
Other receivables (i)	651	1,759
Total trade and other receivables	2,215	3,843

(i) The decrease in other receivables relates to a decline in R&D Tax Incentive receivables due to reduced R&D spend compared to the prior period.

	2023 \$000	2022 \$000
At 1 July	(312)	(136)
Charge for the period	(61)	(71)
Amounts written off	113	20
Foreign exchange translation	5	(1)
At 31 December	(255)	(188)

Fair value and credit risk

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

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix based on its historical credit loss experience, adjusted forward-looking factors specific to the debtors and the economic environment. Generally, the Group considers a debtor in default if debts are more than 90 days overdue and if there is evidence of financial difficulties of the debtor. In addition, the collectability of trade receivables is reviewed on an ongoing basis with individual debts that are known to be uncollectable written off when identified.

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

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

10. Non-Current Assets – Intangible assets and goodwill

Intangible assets

Intangible assets, including goodwill, totaled \$15.4 million at 31 December 2023 (30 June 2023: \$14.8 million).

During the six months ended 31 December 2023 the Group generated intangible assets with a cost of \$1.6 million (31 December 2022: \$2.9 million), which consisted of \$0.6 million of SOZO II development and \$1.0 million of recurring software development costs. The Group anticipates SOZO II project costs will be completed in FY24. In accordance with AASB 138 Intangible Assets, the Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and expected period of benefits.

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

Goodwill

Goodwill totaled \$2.7 million at 31 December 2023 and 30 June 2023, with the movement relating to foreign exchange translation.

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

At 31 December 2023, the Group found no evidence of indicators of impairment of goodwill or other assets, and as a result, no impairment test has been performed at the reporting date.

11. Issued capital

	Number of Ordinary Shares	\$000
At 31 December 2022	1,783,486,655	307,563
Issued during the period as a result of:		
Issue of ordinary shares from capital raisings	230,769,442	30,000
Issued under Non-Executive director and Employee Share Plans	3,632,078	-
Issue of Employee share based payments	80,000	7
Transaction costs	-	(1,483)
At 30 June 2023	2,017,968,175	336,087
Issued under Non-Executive Director and Employee Share Plans	2,649,168	-
Issue of Employee Share Based Payments	2,690,579	60
Transaction Costs	-	-
At 31 December 2023	2,023,307,922	336,147

12. Share-based payments

	31 Dec 2023	31 Dec 2022
	\$000	\$000
Share-based payments to employees (i)	(231)	(231)
Share-based payments to Non-Executive Directors	77	172
Total share-based payments	(154)	(59)

(i) amounts include reversal of expense due to forfeitures.

Executive and Non-Executive Share Plans

During the period, share-based payments issued under the Executive Incentive Plan (EIP) to Executives were approximately \$43,000 (31 December 2022: \$227,000).

Share Options

Share Options (Options) are issued to eligible participants under the EIP. Options issued during the period vest on the one-year anniversary of the date of grant in an amount equal to the product of one-fourth multiplied by the number of total Options granted. The remaining Options vest evenly on an annual basis over the next three years if the participant is still employed on such dates. In a situation where there is likely to be a change of control of the Group, the Board may have the discretion to determine whether some, none or all of the Options will vest.

The fair value of the Options granted is estimated at the date of grant using an appropriate valuation methodology (either Black Scholes model or Monte Carlo Simulation), taking into account the terms and conditions upon which the options were granted.

There were no Options granted during the six months ended 31 December 2023. The weighted average fair value of Options granted during the six-month period ended 31 December 2022 was \$0.06.

Performance Rights

Performance shares (or Performance Rights) are issued to eligible participants under the EIP in recognition of their contribution to the performance of the Group and are often subject to meeting individual performance hurdles.

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

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

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

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

Awards during the period

During the current period, nil Options (31 December 2022: 25,850,000) and nil Performance Rights (31 December 2022: nil) were granted under the EIP. The awards granted included nil Options (31 December 2022: 10,456,000) and nil performance rights (31 December 2022: nil) granted to key management personnel ("KMP") during the period. The exercise price of the Options was valued at the share price on the date of issue using the five-day volume weighted average share price.

13. Related party disclosures

Subsidiaries

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

Name	Country of Incorporation	% Equity Interest	
		31 Dec 2023	31 Dec 2022
ImpediMed Incorporated	United States	100	100
ImpediMed Hellas	Greece	100	100
ImpediMed TM Incorporated	United States	100	100

Ultimate parent

ImpediMed Limited is the ultimate parent entity.

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

For the half-year ended 31 December 2023, and for the prior half-year, no transactions with Directors occurred that would be considered related party transactions.

Terms and conditions of transactions with related parties

Transactions with related parties are made on an arm's length basis at normal market prices and on normal commercial terms.

14. Commitments and contingencies

Expenditure commitments

At 31 December 2023, the Group has commitments of \$1.0 million (30 June 2023: \$0.6 million) relating to the funding of future product builds, clinical trials, advertising and promotional activities, and other activities. The majority of the expenditure commitments relate to SOZO product builds to meet demand for SOZO devices.

Contingent liabilities

The Group had no contingent liabilities as at 31 December 2023.

15. Events occurring after the balance sheet date

On 8 January 2024, Dr. Parmjot Bains commenced as Managing Director & Chief Executive Officer in an interim capacity. On 26 February 2024, current independent Non-Executive Director Christine Emmanuel-Donnelly was appointed as Chair of the Board.

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

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

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

Conclusion

We have reviewed the accompanying half-year financial report of ImpediMed Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim consolidated statement of financial position as at 31 December 2023, the interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a description of accounting policies and other explanatory information, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style. Below the signature is a horizontal line with two dots underneath it.

Ernst & Young

A handwritten signature in black ink that reads 'Madhu Nair' in a cursive style. Below the signature is a horizontal line with two dots underneath it.

Madhu Nair
Partner
Brisbane
27 February 2024

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