



ASX ANNOUNCEMENT

IMPEDIMED ANNOUNCES HALF-YEAR RESULTS AND BUSINESS UPDATE 31 DECEMBER 2012

27 February 2013

Brisbane, Australia – **ImpediMed Limited** (ASX: IPD) (“ImpediMed” or “Company”) today released final reviewed results for the half-year ended 31 December, 2012.

“We are pleased with how far we have come this half-year,” said ImpediMed’s CEO, Richard Carreon, “however, there certainly remains considerable work to be done. The Company is focused on the expansion of adoption and coverage for L-Dex[®] U400, clinical validation and continuing cost containment.”

In a business update, ImpediMed described how it entered 2013 with disciplined execution focused on:

- An aggressive market development strategy;
- Scrutinising the Company cost structure and expenditures;
- Accelerate adoption of the L-Dex technology; and
- Favourable reimbursement.

Mr. Carreon reported that progress has already been made in all these areas, and said that as ImpediMed enters the second half of the year, it looks forward to a continuation of effective execution.

Highlights of the first half of the year for ImpediMed include:

- The August announcement of a strategic organisational realignment, which allowed the Company to focus on favourable reimbursement, accelerated adoption of our technology and disciplined execution;
- The October announcement of the clinical guidelines in a Position Statement posting by the Australasian Lymphology Association (ALA), “Monitoring for the Early Detection of Breast Cancer Related Lymphoedema.” This provided an Australasian perspective for promoting consistency in the longitudinal monitoring for early detection of breast cancer related lymphoedema (BCRL);
- By the second quarter 2013, the Company brought negative operating cash flow down at least 32% over prior quarters. The U.S. lymphoedema business grew 54% versus Q2 of last year and cash burn for the quarter was down 42% versus Q1 of this year dropping from \$2.98 million to \$1.74 million;
- A number of clinical trials are in progress. This half-year saw the publication of “*Breast-cancer related lymphedema: a review of procedure-specific incidence rates, clinical assessment aids, treatment paradigms, and risk reduction.*” Authored by U.S. key opinion leaders in the field of breast cancer, oncology and lymphoedema, the paper was published in the prestigious journal *The Breast Journal* (the

official journal of the American Society of Breast Disease and the International Society of Breast Pathology); and

- On 14 February 2013, the Company executed a multi-year agreement with 3M Australia Pty Ltd (3M). 3M is now responsible for the sale and co-marketing of ImpediMed's lymphoedema products through its sales force in Australia and New Zealand. This agreement signals promising news for lymphoedema patients in that two companies with synergistic and complementary technologies will be working closely together with practitioners on early detection, treatment and accessibility.

Financial summary of ImpediMed's half-year ended 31 December 2012:

- Revenue, excluding finance income, for the half-year ending 31 December 2012, was \$1.3 million – a decrease of 7% from \$1.4 million revenue generated in prior half-year. Worldwide lymphoedema revenue has increased by 20% over the same six month period from the prior year;
- U.S. lymphoedema revenue, in the U.S. dollar functional currency, increased 39% compared to the prior period;
- Net cash flows used in operating activities decreased to \$4.7 million in the half-year compared to \$6.2 million for the comparative half-year, due to the increase in receipts from customers and the decrease in payments to suppliers inclusive of goods and services tax;
- Total comprehensive loss for the half-year was \$5.2 million compared to \$5.8 million in the prior half-year. This decrease was due to savings in research and development, salaries and benefits and consultants and professional fees;
- Expenses for the period were \$6.0 million versus \$7.2 million in the comparative prior period. All major categories of expenditure, except share-based compensation, decreased; and
- Net assets at 31 December 2012 were \$12.8 million, versus \$17.3 million at 30 June 2012 -- a decrease of 26%.

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L-Dex is a trademark of ImpediMed Limited.

The L-Dex scale is a tool to assist in the clinical assessment of unilateral lymphoedema of arm and leg in women and the leg in men by a medical provider. The L-Dex scale is not intended to diagnose or predict lymphoedema of an extremity.

About ImpediMed

ImpediMed Limited is the world leader in the development and distribution of medical devices employing Bioimpedance Spectroscopy (BIS) technologies for use in the non-invasive clinical assessment and monitoring of fluid status. ImpediMed's primary product range consists of a number of medical devices that aid surgeons, oncologists, therapists and radiation oncologists in the clinical assessment of patients for the potential onset of secondary lymphoedema. Pre-operative clinical assessment in cancer survivors, before the onset of symptoms, may prevent the condition from becoming a lifelong management issue and thus improve the quality of life of the cancer survivor. ImpediMed has the first medical device with an FDA clearance in the United States to aid health care professionals clinically assess secondary unilateral lymphoedema of the arm and leg in women and the leg in men.

For more information, visit: www.impedimed.com.au

ImpediMed Limited

ABN 65 089 705 144

Appendix 4D

for the half-year ended 31 December 2012
(previous corresponding period : half-year ended 31 December 2011)

The information contained in this document should be read in conjunction with the financial statements for the year ended 30 June 2012 and any public announcements made by ImpediMed Limited and its controlled entities 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 \$000	Previous corresponding period \$000	\$000
2.1 Revenue from ordinary activities	1,390	1,488	
Decrease in revenue:			-98
Percentage decrease:			-7%
2.2 Loss from ordinary activities after tax attributable to members	(5,165)	(5,936)	
Decrease in loss from ordinary: activities after tax attributable to members			771
Percentage decrease:			-13%
2.3 Net loss for the period attributable to members	(5,165)	(5,936)	
Decrease in net loss for the period attributable to members:			771
Percentage decrease:			-13%
2.4 Dividends	NIL	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 operating and financial review in the Directors' Report of the Financial Statements for the current reporting period.		

3 Net tangible assets per ordinary security			
	Current period		Previous corresponding period
Net tangible assets (\$000)	\$ 10,980	\$	13,397
Issued share capital at reporting date (\$000)	\$ 106,101	\$	98,004
Number of shares on issue at reporting date	181,314,055		156,517,061
Net tangible assets per ordinary security	\$ 0.06	\$	0.09

4 Acquisitions and divestments	
4.1	There were no entities over which control has been gained or lost during the current reporting period.
4.2	Not applicable
4.3	Not applicable

5 Details of dividends	
	There were no dividends paid during the period, or payable at 31 December 2012.

6 Dividend Reinvestment Plans	
	The Company 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 statements.

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IMPEDIMED LIMITED

ABN 65 089 705 144

Financial Report

For the half-year ended 31 December 2012

Corporate Information

ABN: 65 089 705 144

This financial report covers the consolidated entity comprising ImpediMed Limited (“the Parent”) and its subsidiaries (“the Group”). The Parent’s functional and presentational currency and the Group’s presentational currency are Australian dollars (\$). 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

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

Company Secretary

S Denaro

Registered office

Unit 1, 50 Parker Court
Pinkenba QLD 4008

Principal places of business

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Websites: www.impedimed.com.au, www.impedimed.com, www.l-dex.com, www.international.l-dex.com, and www.lymphconnect.com.

Share Register

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

Solicitors

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Brisbane QLD 4000

Sheppard Mullin Richter & Hampton LLP
12275 El Camino Real, Suite 200
San Diego CA 92130-2006 U.S.A.

Bankers

Commonwealth Bank of Australia
240 Queen Street
Brisbane QLD 4000

Bank of America
450 B Street, Suite 1500
San Diego CA 92101-8001 U.S.A.

Auditors

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

Remuneration Advisors to the Board of Directors

Barney & Barney LLC
9171 Town Center Drive Suite 500
San Diego CA 92122 U.S.A.

Directors' Report

Your directors submit their report together with the consolidated interim financial report for ImpediMed Limited ("the Company" or "the Group") for the half-year ended 31 December 2012 and the auditor's review report therein.

Directors

The names of the directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Cherrell Hirst, AO FTSE MBBS BEdSt DUniv FAICD (Non-executive Director and Chairman)

Mel Bridges, B.Sc FAICD (Non-executive Director)

Jim Hazel, B.Ec S Fin FAICD (Non-executive Director)

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

Michael Panaccio, PhD, MBA, B.Sc (Hons) AICD (Non-executive Director)

Greg Brown, B.Sc MBA (Executive Director) (i)

(i) G Brown appointed Executive Director on 10 July 2012; Managing Director and Chief Executive Officer from 1 April 2004 to 9 July 2012.

Principal activities

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

Operating and financial review

Group overview

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

The ImpediMed Group consists of three entities:

- ImpediMed Limited, the Parent company operating in medical markets in regions outside North America, incorporated in 1999 and listed on the ASX on 24 October 2007.
- ImpediMed 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 period

Total comprehensive loss for the period was \$5.2 million (31 December 2011: \$5.8 million). The loss from continuing operations for the period after income tax was \$5.2 million (31 December 2011 \$5.9 million). The smaller loss is due to lower spending on research and development related to the UB500, salaries and benefits, consulting and professional fees offset by an increase in administration and governance, as explained further below.

The loss from continuing operations for the period before income tax includes the unrealised foreign exchange gain/loss arising from translating the U.S. cash held by the Parent into Australian dollars. The spot exchange rate for the beginning and end of the reporting period was AUD \$1.00 to USD \$1.016 and USD \$1.037, respectively. The spot exchange rate for the beginning and end of the comparative period was AUD \$1.00 to USD \$1.060 and USD \$1.017, respectively. The Group maintains a significant portion of available funds in U.S. dollars to match U.S. dollar expenditure needs.

Directors' Report

Operating results for the period (continued)

- Sale of goods and services for the current period were \$1.3 million (31 December 2011: \$1.4 million), a decrease of 7%. The decrease in revenue was due primarily to our Body Composition (BC) products within the medical segment down 24% and Test and Measurement (T&M) segment down 16%. These BC and T&M device sales tend to be impacted by broader market conditions as they are capital in nature.

The Parent and ImpediMed Inc. are the entities that generate revenue from bioimpedance spectroscopy (BIS) devices for the Group. These companies enter into agreements to place the L-Dex U400[®] with customers.

Under these agreements, ImpediMed retains title to the device and carries it in property, plant and equipment, depreciating it over 3 years. As the U.S. marketplace business scales up, the investment in L-Dex devices is expected to have some impact on the working capital needs of the Group which are expected to be offset by revenue and profitability.

The lymphoedema product revenue within the medical segment was up 20% over the comparative prior period. This revenue was generated when customers purchase electrode consumables to perform readings using the U400 device. U.S. lymphoedema revenue in U.S. dollars has increased 39% compared to the prior period.

- Cost of sales decreased by \$96,000 or 16% from the previous corresponding period. Additionally, it is a decrease in cost of sales as a percentage of sales; by 4%. The decrease was due to product mix offset by higher commissions paid to our L-Dex U.S. sales force.

Expenses for the period were \$6.0 million (31 December 2011: \$7.2 million). The Company has scrutinised all expenditures and all categories of expenditure within the comprehensive statement of income have decreased except share based compensation which is a non-cash expense related to share options. Details include:

- Research and development expense for the current period was \$0.5 million (31 December 2011: \$1.2 million). The decrease was primarily due to reduced development spending on our next generation UB500 device. The UB500 device is an important product in our strategy to expand the Group's bioimpedance spectroscopy technology to include pelvic and other cancer survivors, both male and female.
- Consultants and professional fees for the current period were \$0.7 million (31 December 2011: \$1.0 million), a decrease of 37% due to the reduction in marketing and research and development consulting.
- Salaries and benefits expense for the current period was \$2.5 million (31 December 2011: \$2.7 million); an 8% decrease. The decrease in spending was due to headcount reductions from 39 (30 June 2012) to 28 (31 December 2012) full and part-time employees; offset by certain one-time costs related to the reduction in force.
- Administrative and governance expense for the current period was \$0.9 million (31 December 2011: \$0.3 million). The increase was due to an unrealised loss on foreign exchange of \$0.2 million in the current year (31 December 2011: an unrealised gain of \$0.5 million); both of which are included in administrative and governance expenses. Without the unrealised gain/loss on foreign exchange, administration and governance expense is down 4%.
- Advertising and promotion expense was slightly lower than the prior period. The Group has maintained its activities at trade shows, increased focus on clinical validation of our technology and continued our online presence by maintaining website and marketing materials.

Directors' Report

Liquidity and capital resources

Cash and cash equivalents decreased to \$9.65 million at 31 December 2012 from \$14.51 million at 30 June 2012 due primarily to the net cash used to fund operating activities. Net cash used in operating activities for the period was \$4.7 million which reflected a 24% decrease from \$6.2 million (31 December 2011).

Net cash used in Q2 of \$1.74 million was a 42% decrease from Q1 of the current year. The Group has the ability to vary certain expenditures; therefore cash outflows may be adjusted.

Cash flow from financing activities was \$72,000 due to a release of restricted cash in the half-year compared to nil for the prior comparative period.

No capital was raised during the half year ended 31 December 2012 or 2011. The Group believes it will be able to raise additional capital from its shareholders and potential investors should this be necessary in the medium term. The Directors have no immediate plans to raise additional capital.

Significant events after the balance date

On 14 February 2013, ImpediMed Limited entered into a three year exclusive agency agreement with 3M Australia Pty Ltd (3M), effective immediately, which gives 3M responsibility for the sale and co-marketing of the Group's lymphoedema products through its sales force in Australia and New Zealand.

Rounding of amounts

The amounts contained in this report and in the financial report for the half-year ended 31 December 2012 have been rounded to the nearest thousand (where rounding is applicable and where noted (\$000)) under the option available to the Company under ASIC CO 98/0100. The Company is an entity to which the Class Order applies.

Directors' Report

Auditor Independence Declaration

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

Signed in accordance with a resolution of the directors.



Cherrell Hirst, AO
Chairman



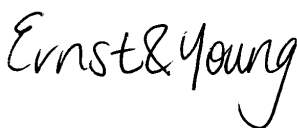
Jim Hazel
Director

Brisbane, 27 February 2013

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Auditor's Independence Declaration to the Directors of ImpediMed Limited

In relation to our review of the financial report of ImpediMed Limited for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Alison de Groot
Partner
Brisbane
27 February 2013

Interim Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Notes	31 Dec 2012 \$000	31 Dec 2011 \$000
Continuing operations			
Sale of goods	3a	1,188	1,263
Rendering of services		75	89
Finance income	3b	127	136
Revenue		<u>1,390</u>	<u>1,488</u>
Cost of sales	3g	(513)	(609)
Other income	3c	-	342
Salaries and benefits	3e	(2,470)	(2,698)
Research and development		(458)	(1,150)
Administrative and governance	3f	(880)	(250)
Consultants and professional fees		(653)	(1,034)
Depreciation and amortisation	3d	(127)	(269)
Advertising and promotion		(287)	(338)
Rent and property expenses		(166)	(185)
Travel expenses		(192)	(457)
Share based payments		(609)	(532)
Other expenses		(200)	(244)
Loss from continuing operations before income tax		<u>(5,165)</u>	<u>(5,936)</u>
Income tax		-	-
Loss from continuing operations after income tax		<u>(5,165)</u>	<u>(5,936)</u>
Net loss attributable to owners of the parent for the period		<u>(5,165)</u>	<u>(5,936)</u>
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(2)	109
Income tax effect		-	-
Other comprehensive income (loss) attributable to owners of the parent for the period, net of tax		<u>(2)</u>	<u>109</u>
Total comprehensive loss attributable to owners of the parent for the period, net of tax		<u>(5,167)</u>	<u>(5,827)</u>
Loss per share			
		31 Dec 2012	31 Dec 2011
		\$	\$
Basic and diluted loss attributable to owners of the parent per share		(0.03)	(0.04)

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

Interim Consolidated Balance Sheet

AS AT 31 DECEMBER 2012

	Notes	as at 31 Dec 2012 \$000	as at 30 Jun 2012 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	4	9,649	14,514
Trade and other receivables		352	769
Inventories		1,522	1,656
Restricted cash		31	31
Other current assets		248	297
Total Current Assets		11,802	17,267
Non-current Assets			
Other financial assets		17	91
Plant and equipment		371	404
Intangible assets	9	23	68
Goodwill	9	1,748	1,784
Total Non-current Assets		2,159	2,347
TOTAL ASSETS		13,961	19,614
LIABILITIES			
Current Liabilities			
Trade and other payables		603	1,688
Provisions		529	518
Total Current Liabilities		1,132	2,206
Non-current Liabilities			
Provisions		78	98
Total Non-current Liabilities		78	98
TOTAL LIABILITIES		1,210	2,304
NET ASSETS		12,751	17,310
EQUITY			
Issued capital	10	106,101	106,102
Reserves		4,290	3,683
Accumulated losses		(97,640)	(92,475)
TOTAL EQUITY		12,751	17,310

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

Interim Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Notes	31 Dec 2012 \$000	31 Dec 2011 \$000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax and U.S. sales tax)		1,573	1,478
Payments to suppliers and employees (inclusive of goods and services tax and U.S. sales tax)		(6,439)	(8,201)
Interest received		137	148
Receipt of R&D tax concession and royalties		11	345
Net cash flows used in operating activities		(4,718)	(6,230)
Cash flows from investing activities			
Purchase of equipment		(5)	-
Proceeds from sale of equipment		2	-
Purchase of intangible assets		-	(24)
Net cash flows used in investing activities		(3)	(24)
Cash flows from financing activities			
Transaction costs from capital raise		(1)	-
Release of restricted cash		72	-
Net cash flows from financing activities		71	-
Net (decrease) in cash and cash equivalents		(4,650)	(6,254)
Net foreign exchange differences		(215)	467
Cash and cash equivalents at beginning of period		14,514	17,899
Cash and cash equivalents at close of period		9,649	12,112

The above interim consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Interim Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Issued capital	Share reserves	Foreign currency translation reserve	Accumulated losses	Total
	\$000	\$000	\$000	\$000	\$000
At 1 July 2011	98,004	3,417	(605)	(80,133)	20,683
Loss for the period	-	-	-	(5,936)	(5,936)
Other comprehensive income	-	-	109	-	109
Total comprehensive loss for the half-year	-	-	109	(5,936)	(5,827)
Equity Transactions:					
Share-based payments	-	532	-	-	532
At 31 December 2011	98,004	3,949	(496)	(86,069)	15,388
At 1 July 2012	106,102	4,180	(497)	(92,475)	17,310
Loss for the period	-	-	-	(5,165)	(5,165)
Other comprehensive loss	-	-	(2)	-	(2)
Total comprehensive loss for the half-year	-	-	(2)	(5,165)	(5,167)
Equity Transactions:					
Share-based payments	-	609	-	-	609
Costs of capital raise	(1)	-	-	-	(1)
At 31 December 2012	106,101	4,789	(499)	(97,640)	12,751

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

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Notes to the Interim Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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Notes to the Interim Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

1 Basis of preparation and accounting policies

Basis of preparation

The consolidated financial statements of ImpediMed Limited for the six months ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 27 February 2013.

This general purpose interim consolidated financial statements ("financial report") for the half-year ended 31 December 2012 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2012 and considered together with any public announcements made by the Group during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

Changes in accounting policy

The accounting policies and methods of computation are consistent with those of the most recent annual report except the following amending Standards and Interpretations have been adopted in the current period. There was no material impact on the financial report as a result of the mandatory new and amended Accounting Standards adopted.

- *AASB 101 Presentation of Financial Statements*. AASB 101 established a new requirement for entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not. The adoption of AASB 101 had no effect on the financial position or performance of the Group.

The Group has not elected to early adopt any other new Standards or Amendments that are issued but not yet effective.

Certain amounts in the comparative financial statements have been reclassified to conform to the current period presentation.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand (\$000) unless otherwise indicated.

Notes to the Interim Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

1 Basis of preparation and accounting policies (continued)

Going concern

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

The Group has realised a loss after income tax of \$5.2 million for the half-year ended 31 December 2012 (31 December 2011: \$5.9 million) and net operating cash outflow of \$4.7 million for the half-year ended 31 December 2012 (31 December 2011: \$6.2 million).

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:

- (i) As at 31 December 2012, the Group had net assets of \$12.8 million. At the same date, the market capitalisation of ImpediMed Limited was \$14.5 million and assets of the Group exceeded liabilities by a ratio of 11 : 1.
- (ii) The Group had cash at its disposal of \$9.65 million at 31 December 2012 and had no borrowings from banks or other financial institutions at 31 December 2012.
- (iii) The Group has reduced cash burn from \$2.91 million in Q1 2013 to \$1.74 million in Q2 2013 and has the ability to reduce cash burn further, if necessary. The Group has the ability to vary certain expenditures; therefore cash outflows can be adjusted.
- (iv) The operating plans have been set such that cash on hand at the date of signing is expected to last in excess of 12 months from the date of issue of the financial report.
- (v) The Group believes it will be able to raise additional capital from its shareholders and potential investors should this be necessary.

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 Group not continue as a going concern.

2 Segment reporting

The following table presents revenue and profit information for reportable segments for the half-years ended 31 December 2012 and 31 December 2011.

During the half year, the Chief Executive Officer who is the Chief Operating Decision Maker started obtaining and reviewing the Medical Segment revenue information categorised by the segment's two product lines, Lymphoedema and Body Composition. Thus, we have included the product line information as part of the medical segment revenue disclosure. We have restated the prior year reporting to reflect this detail for comparison purposes.

Notes to the Interim Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

2 Segment reporting (continued)

Half-year ended 31 December 2012	Medical			Test & Measurement	Total
	Lymphoedema	Body Composition	Total Medical		
	\$000	\$000	\$000	\$000	\$000
Revenue					
Device sales	146	248	394	332	726
Device operating leases	100	6	106	5	111
Consumable revenue	298	52	350	1	351
Rendering of services	5	16	21	54	75
Total segment revenue	549	322	871	392	1,263
Unallocated revenue (finance income)					127
Total consolidated revenue					1,390

Half-year ended 31 December 2011	Medical			Test & Measurement	Total
	Lymphoedema	Body Composition	Total Medical		
	\$000	\$000	\$000	\$000	\$000
Revenue					
Device sales	156	319	475	391	866
Device operating leases	183	17	200	10	210
Consumable revenue	114	73	187	-	187
Rendering of Services	6	16	22	67	89
Total segment revenue	459	425	884	468	1,352
Unallocated revenue (finance income)					136
Total consolidated revenue					1,488

Segment Assets

The following table presents segment assets of the Group's operating segments as at 31 December 2012 and 2011 and 30 June 2012.

	Medical	Test & Measurement	Total
	\$000	\$000	\$000
At 31 December 2012	13,087	874	13,961
At 30 June 2012	18,839	775	19,614
At 31 December 2011	16,334	566	16,900

Notes to the Interim Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

2. Segment reporting (continued)

Half-year ended 31 December 2012	Medical \$000	Test & Measurement \$000	Total \$000
Results			
Segment result	(4,972)	(193)	(5,165)
Depreciation and amortisation	(126)	(1)	(127)
Loss before income tax	(5,098)	(194)	(5,292)
Income tax expense	-	-	-
Net allocated loss for the period	(5,098)	(194)	(5,292)
Unallocated results (finance income less costs)			127
Net loss for the period			(5,165)

Half-year ended 31 December 2011	Medical \$000	Test & Measurement \$000	Total \$000
Results			
Segment result	(5,616)	(187)	(5,803)
Depreciation and amortisation	(268)	(1)	(269)
Loss before income tax	(5,884)	(188)	(6,072)
Income tax expense	-	-	-
Net allocated loss for the period	(5,884)	(188)	(6,072)
Unallocated results (finance income less costs)			136
Net loss for the period			(5,936)

3 Revenue, income and expenses

	2012 \$000	2011 \$000
(a) Sale of goods		
Device sales	726	866
Consumable sales	351	187
Device operating leases	111	210
	1,188	1,263
(b) Finance income		
Interest income – bank deposits	12	25
Interest income – term deposits	115	111
	127	136

Notes to the Interim Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

3 Revenue, income and expenses (continued)

	2012 \$000	2011 \$000
(c) Other income		
R&D tax concession	-	286
Royalty income	-	49
Other income	-	7
	<u>-</u>	<u>342</u>
(d) Depreciation and amortisation		
Depreciation of property, plant and equipment	26	24
Depreciation of demo and loan devices	52	41
Amortisation of leasehold improvements	5	10
Amortisation of patents and licenses	1	109
Amortisation of software	43	85
	<u>127</u>	<u>269</u>
Depreciation of operating lease and PSA devices (i)	27	53
	<u>154</u>	<u>322</u>
<p>(i) Operating lease depreciation has been included in cost of sales.</p>		
(e) Salaries and benefits		
Wages and salaries	2,077	2,235
Superannuation costs	83	98
Other employee costs	305	366
Long service leave	5	(1)
	<u>2,470</u>	<u>2,698</u>
Share based payments to employees	588	477
	<u>3,058</u>	<u>3,175</u>
(f) Administrative and governance		
<p>The following items are included in administrative and governance expense.</p>		
Bad and doubtful debts	-	(2)
Unrealised loss (gain) on foreign exchange	202	(459)
(g) Cost of sales		
<p>The following item is included in cost of sales.</p>		
Inventory write-down	3	12

Notes to the Interim Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

4 Cash and cash equivalents

	as at 31 Dec 2012 \$000	as at 30 Jun 2012 \$000
Cash at bank and in hand	5,148	2,522
Short term deposits	4,501	11,992
	<u>9,649</u>	<u>14,514</u>

5 Dividends paid

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

6 Related party disclosure

For the current period, no new transactions with directors occurred that would be considered related party transactions. Amounts payable to Directors for directors fees were \$59,000 at 31 December 2012 (30 June 2012: \$84,000) Payments made to a consultant who is related to the previous CEO occurred in the previous year. The services rendered for the current half year period totalled nil (31 December 2011: \$36,000).

Other current assets include \$9,000 at 31 December 2012 (30 June 2012: \$9,000) relating to a travel advance to the Senior Vice President Corporate Development.

Transactions with these and all related parties are made at arm's length both at normal market prices and on normal commercial terms.

7 Share-based payments

On 9 July 2012, the Board issued 7,252,561 share options to Mr. Carreon, CEO, at an elevated exercise price of \$0.35 per share in the Group. The options have a ten (10) year life from date of grant and will vest over a four (4) year period with 25% vesting on the one-year anniversary of his employment with the Group and then at a rate of 1/48th per month thereafter. In addition, the options contain the following market condition: (i) 75% of the options are not eligible to exercise unless the share price of the Group's ordinary shares is trading above AU\$0.50 per share on the Australian Securities Exchange at the time of the exercise; (ii) the remaining options are not eligible for exercise unless the share price of the Group's ordinary shares is trading above AU\$0.70 per share on the Australian Securities Exchange at the time of exercise. There is no cash settlement of the options.

The fair value of these options was calculated using a Monte Carlo probability distribution simulation and was estimated on the date of grant using the following assumptions.

Dividend yield (%)	0%
Expected volatility (5)	70.80%
Risk-free interest rate (%)	2.91%
Weighted average share price (\$)	\$0.18

For the six months ended 31 December 2012, the Group has \$0.6 million (31 December 2011: \$0.5 million) of share-based payment transactions expense in the Statement of Comprehensive Income.

Notes to the Interim Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

8. Commitments and contingencies

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

Expenditure Commitments

At 31 December 2012, the Group had expenditure commitments of \$0.6 million (30 June 2012: \$0.8 million) relating to the funding of various research and development, advertising and promotion, and other operating activities.

Litigation

At 31 December 2012, the Group has no known open claims or lawsuits against it.

9 Intangible assets and goodwill

Intangible assets decreased in the current period due to amortisation of computer software, patents, and licenses and due to foreign currency exchange movements.

Goodwill decreased in the current period due to foreign currency exchange movements.

10 Issued capital

There was no movement in issued capital in the current period except as outlined below.

	Number of shares	\$000
Beginning balance 1 July 2012	181,314,055	106,102
Capital raising costs (i)		(1)
Closing balance 31 December 2012	181,314,055	106,101

(i) Capital raising costs are related to the capital raise which occurred during the year ended 30 June 2012.

On 22 October 2012, 12,478,500 quoted options with an exercise price of \$0.683 expired unexercised.

11 Events after the balance sheet date

On 14 February 2013, ImpediMed Limited entered into a three year exclusive agency agreement with 3M Australia Pty Ltd (3M), effective immediately, which gives 3M responsibility for the sale and co-marketing of the Group's lymphoedema products through its sales force in Australia and New Zealand.

Directors' Declaration

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

In accordance with a resolution of the directors of ImpediMed Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2012 and the performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.
- (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



Cherrell Hirst, AO
Chairman



Jim Hazel
Director

Brisbane, 27 February 2013

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To the shareholders of ImpediMed Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying 31 December 2012 financial report of ImpediMed Limited, which comprises the consolidated balance sheet as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a 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 half-year end or from time to time during the period.

Directors' Responsibility 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 controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ImpediMed Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

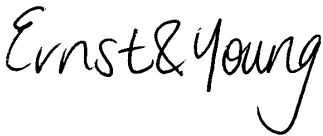
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ImpediMed Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its 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*.

Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, your attention is drawn to the matter set out in Note 1 to the financial statements. As a result of the matter described in Note 1, there is significant uncertainty whether the company will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classifications of liabilities that might be necessary should the company not continue as a going concern.

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

Ernst & Young

A handwritten signature in black ink that reads 'Alison de Groot'.

Alison de Groot
Partner
Brisbane
27 February 2013