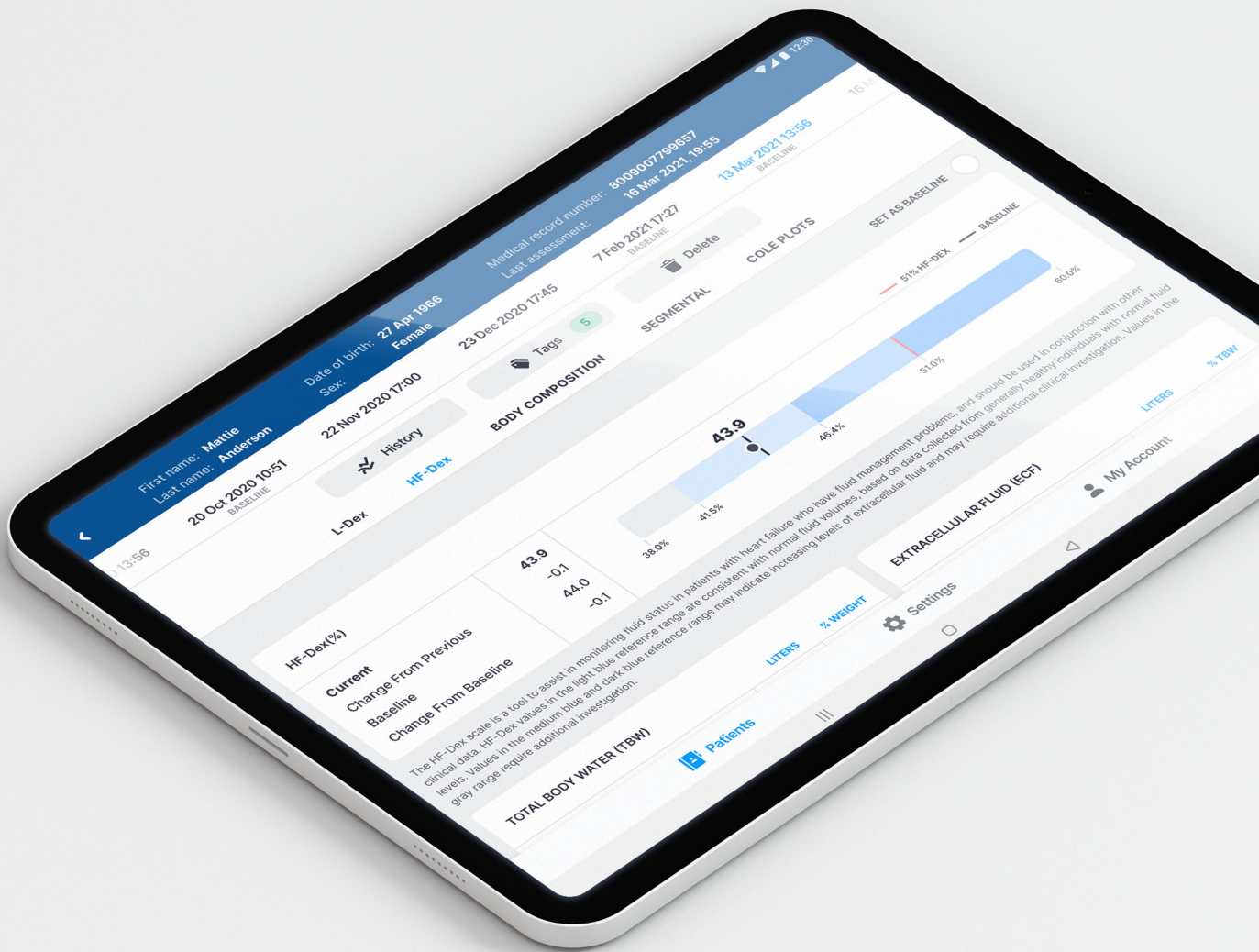


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# ANNUAL REPORT

FOR THE YEAR ENDED  
30 JUNE 2021

Platform Technology.  
Transforming Care.

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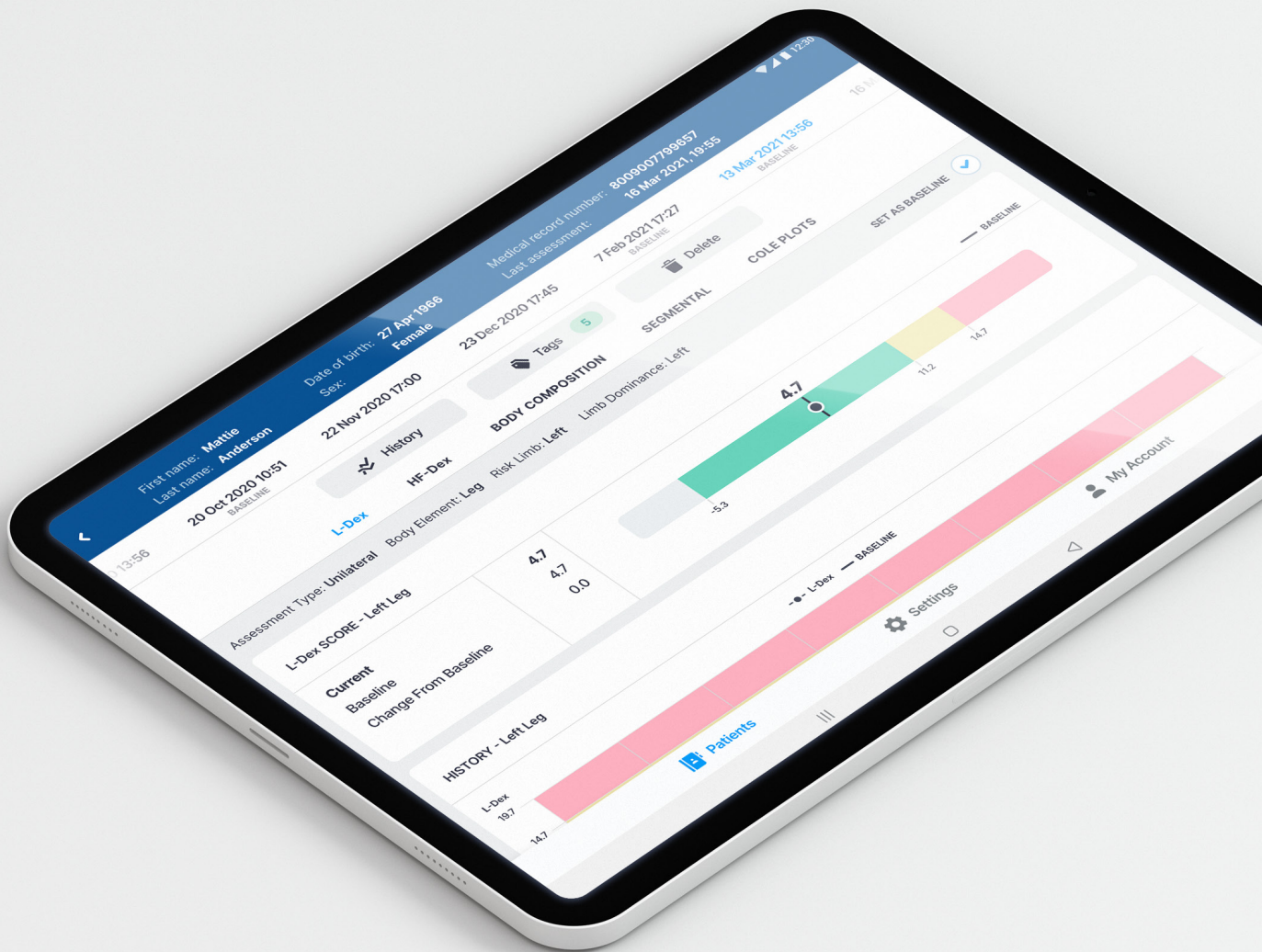
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# CORPORATE INFORMATION

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# Corporate Information

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 \$). Certain prior year amounts have been reclassified for consistency with the current year’s presentation.

A description of the Group’s operations and of its principal activities is included in the operating and financial review in the Directors’ Report. The Directors’ Report is not part of the financial report.

## Directors

### Non-Executive Directors

S Ward, Chairman

D Anderson

J Downes

R Graham

A Patel

D Williams

### 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 US  
Phone: +1 760 585 2100

#### AU Headquarters

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

### Share Register

Link Market Services  
Level 21  
10 Eagle Street  
Brisbane QLD 4000  
Phone: +61 7 3320 2200

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

### Websites

[www.impedimed.com](http://www.impedimed.com)  
[www.preventlymphedema.com](http://www.preventlymphedema.com)

### Solicitors

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

Sheppard Mullin Richter & Hampton LLP 12275  
El Camino Real Suite 200  
San Diego CA 92130 US

### Bankers

Commonwealth Bank of Australia  
240 Queen Street  
Brisbane QLD 4000

Bank of America  
701 B Street Suite 2300  
San Diego CA 92101 US

### Auditors

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

### Remuneration Advisors to the Board of Directors

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

# Chairman's Report



Scott Ward,  
Chairman of the Board

On behalf of the Board of Directors and Management, I am pleased to present the Annual Report for ImpediMed Limited for the 2021 financial year. I would like to extend our gratitude to our customers, who not only continued to serve patients throughout the corona virus crisis, but many of whom were (and are) on the front line of administering the vaccinations to people throughout the world. During what continue to be challenging times due to new variants of COVID-19, we are immensely proud to be able to work with a customer base as esteemed as ours.

Thank you as well to our shareholders for your continued commitment to our mission, as we continue to make bioimpedance spectroscopy the standard of care for patients.

## Strong Growth Amidst COVID-19 Headwinds

In my letter last year, I stated that there were many challenges ahead as we continue to learn what the long-term impacts of COVID-19 would be on society, healthcare and our business. Unfortunately, that is still true today, as COVID-19 continues to impact the world. This is especially true in Australia, where, like the U.S. last year, much of the country is now in lockdown and working on getting the vaccine out to citizens.

Despite these continued COVID-19 headwinds, ImpediMed and its Software-as-a-Service, or SaaS, business model continues to thrive. Total Revenue grew 46% to \$8.4 million, with SOZO revenue of \$7.6 million. SOZO SaaS Revenue had the strongest growth, increasing by 77% to \$6.0 million during the year.

As anticipated, SOZO SaaS gross margin continued to increase in FY'21 and exceeded 90% for the period. These high margins are expected to continue in FY'22.

## Looking Ahead

Advancements in the SOZO software platform, SOZO hardware and SOZO data, put the Company in a position to accelerate growth in FY'22. The vision and strategy of our Managing Director and CEO, Richard Carreon, to accelerate innovation in key areas of the Company is opening doors to large opportunities for future growth.

FY'21 was highlighted by strong growth in revenue and SaaS Metrics, as the Company increased its footprint in major hospital systems (in the US and throughout the world) through the lymphoedema/oncology market.

"Despite continued COVID-19 headwinds, ImpediMed had a very strong performance this past financial year. The advancements being made with the SOZO software platform, SOZO hardware and SOZO data put the Company in a position to accelerate growth in FY'22."

In addition to establishing a highly scalable business model in lymphoedema, the Company is also expanding its efforts in the heart failure and renal failure markets.

Rick will expand more on the development of these key strategic markets in his letter, but the Company is in a very strong position to leverage SOZO's connected digital health platform in FY'22 as the Company further develops these three markets.

## Corporate Governance and Board Composition

We have a strong Board of Directors at ImpediMed with the experience and skill necessary to assure sound governance, while also providing effective support and guidance for Management.

The Board and management team maintain high standards of corporate governance as part of our commitment to create value for our stakeholders through effective strategic planning, risk management, transparency, and corporate responsibility.

Please refer to our accompanying *2021 Corporate Governance Statement* for more details on the important role of governance within the Company, as well as further background on the extensive experience and skills of our board.

## Gratitude

Finally, on behalf of the Board, I would like to thank our ImpediMed employees for their continued perseverance during another remarkable year. Amidst working remote, COVID-19 headwinds and countless other challenges, our employees showed tremendous dedication and commitment in supporting our customers and patients.

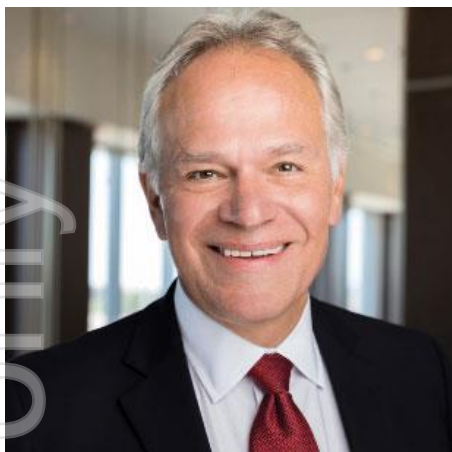
We also express our gratitude to our shareholders for your ongoing support throughout the year and through our recent capital raise. As always, we look forward to engaging with you throughout the year and at our 2021 Annual General Meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "SRW", written over a horizontal line.

Scott R. Ward  
Chairman

# Chief Executive Officer's Letter



Richard Carreon,  
Managing Director and CEO

Dear Shareholders,

First, I would like to thank the clinicians, staff and front-line workers in their ongoing fight against COVID-19. They continue to face new challenges and further uncertainty every day. They have shown considerable commitment to ensuring hospitals and health systems are able to not only fight COVID-19, but also deliver critical care to patients.

I also want to take a moment to thank our employees, who have managed to build a stronger business than ever before, all while working remotely and under challenging circumstances. Employees and their families had to quickly adapt to a new way of life. Without the support of their families, our employees would not have been as successful as they were this past year in delivering on Company goals.

## Revenue and Key Metrics

Our transition to a connected digital health platform put the Company in a strong position to thrive during a very turbulent year. We have built a strong and resilient business, with quarter-over-quarter record results. SOZO® Revenue increased by 64% year-over-year to \$7.6 million and the SaaS and Recurring Revenue from SOZO increased by 77% year-over-year to \$6.0 million.

SOZO Annual Recurring Revenue increased by 67% year-over-year to \$8.7 million. And we head into the 2022 financial year with a revenue run rate north of \$10.0 million.

Throughout the past year, our Company continued to prove its resilience, as we signed SOZO contracts in excess of \$12.0 million, had a churn rate of just 1%, and a contract renewal rate of 100% throughout the entire financial year.

We have now sold 770+ SOZO units in our Core Business, with an additional 375+ units under contract or leased through our Clinical Business. This strong footprint, along with the release of PREVENT Trial data in the coming months, puts the Company in a great position to accelerate its growth in FY'22.

## SOZO Patient Tests

SOZO Patient Testing grew significantly during the year, despite the ongoing global pandemic, the continued headwinds in the US throughout the year and a falloff in testing in Australia in Q4 FY'21 due to the lockdowns.

*"Our transition to a connected digital health platform put the Company in a strong position to thrive during a very turbulent year. We have built a strong and resilient business, with quarter-over-quarter record results... Throughout the past year, our Company continued to prove its resilience, as we signed SOZO contracts in excess of \$12.0 million, had a churn rate of just 1%, and a contract renewal rate of 100% throughout the entire financial year."*

Through all of this, total patient tests on file at 30 June 2021 exceeded 261,000, with more than 37,000 patient tests conducted in Q4 FY'21 alone.

SOZO, as a digitally connected health platform, gives us the ability to see patient testing in real-time anywhere in the world. This real-time insight provides a unique understanding of key markets. It allows us to tailor our approach by reallocating our resources as we see various testing patterns emerge.

We continue to monitor patient testing real-time as we head into the 2022 financial year. We are paying particular attention to the impact the Delta variant is having on hospital systems throughout the world.

## Key Milestone: The PREVENT Trial

There are a number of critical milestones upcoming for the Company, the biggest of which is the release of the long-awaited PREVENT Trial results.

The PREVENT Trial is a seminal study, the largest randomised controlled trial to be conducted on patients at risk of cancer related lymphoedema. There were over 1,200 patients in the trial, with each patient followed for 3-years. The trial sites were made up of 10 US and International centres, including six (6) NCCN® / NCI centres.

We were pleased to reach the important milestone of the final patient completing follow-up during the financial year. The study investigators then quickly completed the manuscript, prior to its submission at the end of February 2021.

As of the date of this report, the manuscript is still under peer-review. This is not unusual given this is a landmark study and the global pandemic has slowed the entire review process for most major publications.

Although we have not been made aware of the outcome of the trial or its conclusions, we are confident the results will be positive. As I have stated in the past, this confidence comes from the interim analysis of the PREVENT Trial data published 2 years ago, as well as the recent meta-analysis publication, which examined 50 studies involving more than 67,000 patients. The meta-analysis showed statistical significance and the interim analysis concluded our technology "was practice changing."

While waiting on the results of the trial, we are aggressively executing a number of key initiatives to ensure the maximum impact of those results:

1. We are developing a series of physicians' seminars explaining the trial in detail, as well as the significance of the outcomes. Our objective is to ensure a thorough and complete understanding of this landmark trial and the impact it will have on cancer survivors.
2. We are working with several national patient advocacy groups. It is our intent to have them inform their members of the study and the outcomes.
3. We will launch a series of direct patient outreach programs to ensure high-risk cancer patients understand why they should be demanding to have regular L-Dex® testing.

As I stated on our most recent Quarterly investor call, we are confident the manuscript will be published within 90 days of that call. Thank you for your patience as the Company continues to respect the sensitivity of the peer-review process.

As we near the publication of the PREVENT trial results, I'd like to take the opportunity to thank the investigators, patients, authors and numerous contributors to this landmark trial, including the Principal Investigator, Sheila H. Ridner, PhD, RN, FAAN, Research Professor at the Vanderbilt University School of Nursing. We believe the results of this study will be significant and practice changing, and we sincerely thank everyone involved in the study for their tireless efforts.

#### Focus on Our Future

The Company remains focused on three key areas of growth: Oncology, Heart Failure and Renal Failure. We have made excellent progress this past year in all three areas. This progress will create significant value and accelerate the uptake of SOZO in the coming years.

#### Oncology

We have made significant progress with reimbursement. The Company now has alignment of policy coverage across all 10 Medicare Administrative Contractors.

Reimbursement of our L-Dex testing is a key reason we sponsored the landmark PREVENT Trial.

The data necessary to obtain insurance coverage is much more demanding than what is required to obtain an FDA clearance. As such, PREVENT was designed as a head-to-head study with the current gold standard of tape measure. It is a Level I evidence study, meaning, it's prospective, randomised, and multi-center.

During the 2021 financial year we brought our reimbursement team inhouse and aggressively increased the resources focused on reimbursement.

We are doing this for 2 reasons:

1. We are confident the results of the PREVENT Trial will be positive, based on the data and studies already peer-reviewed and published. With almost 800 SOZO devices sold to date, we are regularly expanding the number of SOZO devices in key cancer centres globally, and the number of patients tested continues to grow double digits each quarter. For us, all this data points to a technology that is medically meaningful and significantly improving patient outcomes.
2. We want to minimize the time from publication to the beginning of commercial payers reimbursing for testing.

#### Heart Failure

During the 2021 financial year, the Group secured the first order for its SOZO Digital Health Platform to be used in the management of heart failure patients. Additionally, in April 2021, the US FDA 510(k) clearance for SOZO was expanded to include a heart failure index (HF-Dex) as a monitoring tool for patients living with heart failure.

As we head into the 2022 financial year, we are focused on (1) expanding commercial sales of heart failure through pilot programs in key heart failure centres, (2) utilising the pilot programs to demonstrate both the effectiveness of SOZO in Heart Failure and the economic model with reimbursement, (3) continuing to work with the FDA on obtaining clearance for removal of SOZO contraindications for implantable pacing and cardioverter defibrillators devices, and (4) the presentation of new Heart Failure data at key scientific meetings.

We believe that executing in these areas will provide a foundation for the adoption of SOZO in the heart failure space.

#### Renal Failure

During the 2021 financial year, AstraZeneca selected SOZO to be used in two Phase II trials to measure and track fluid volume in patients with heart failure and chronic kidney disease. The agreements cover approximately 18 months and include 375 SOZO devices to be used at sites across 31 countries.

Through these AstraZeneca trials, we have been able to engage with cardiologists and nephrologists, who are now getting exposure to SOZO for the first time, in order to gather feedback from the early experience of these key users in the US and internationally.

We will continue to leverage this feedback to further assist in formulating our clinical, regulatory and commercial strategies in relation to the Renal Failure market. While the Renal opportunity is still very much in its formative stage, it remains a key focus and we can look forward to updating the market on progress throughout the 2022 financial year.

#### SOZO II

During the 2021 financial year, the Group commenced SOZO II development, with a focus on the Renal and Heart Failure markets. We look forward to reporting our progress on development in the second half of the 2022 financial year.

#### Thank you

Thank you again to the clinicians, staff and front lines workers in the fight against COVID-19. Thank you, as well, to all our ImpediMed team members and their families.

As always, my sincere thank you goes out to our Shareholders for your continued support. We made significant progress in the 2021 financial year and, like you, we are eagerly awaiting the publication of the primary endpoint of the study. I am very confident we will continue to see the adoption of our technology accelerate in the coming years. We look forward to engaging with you and reporting on our progress.

Stay safe and healthy.

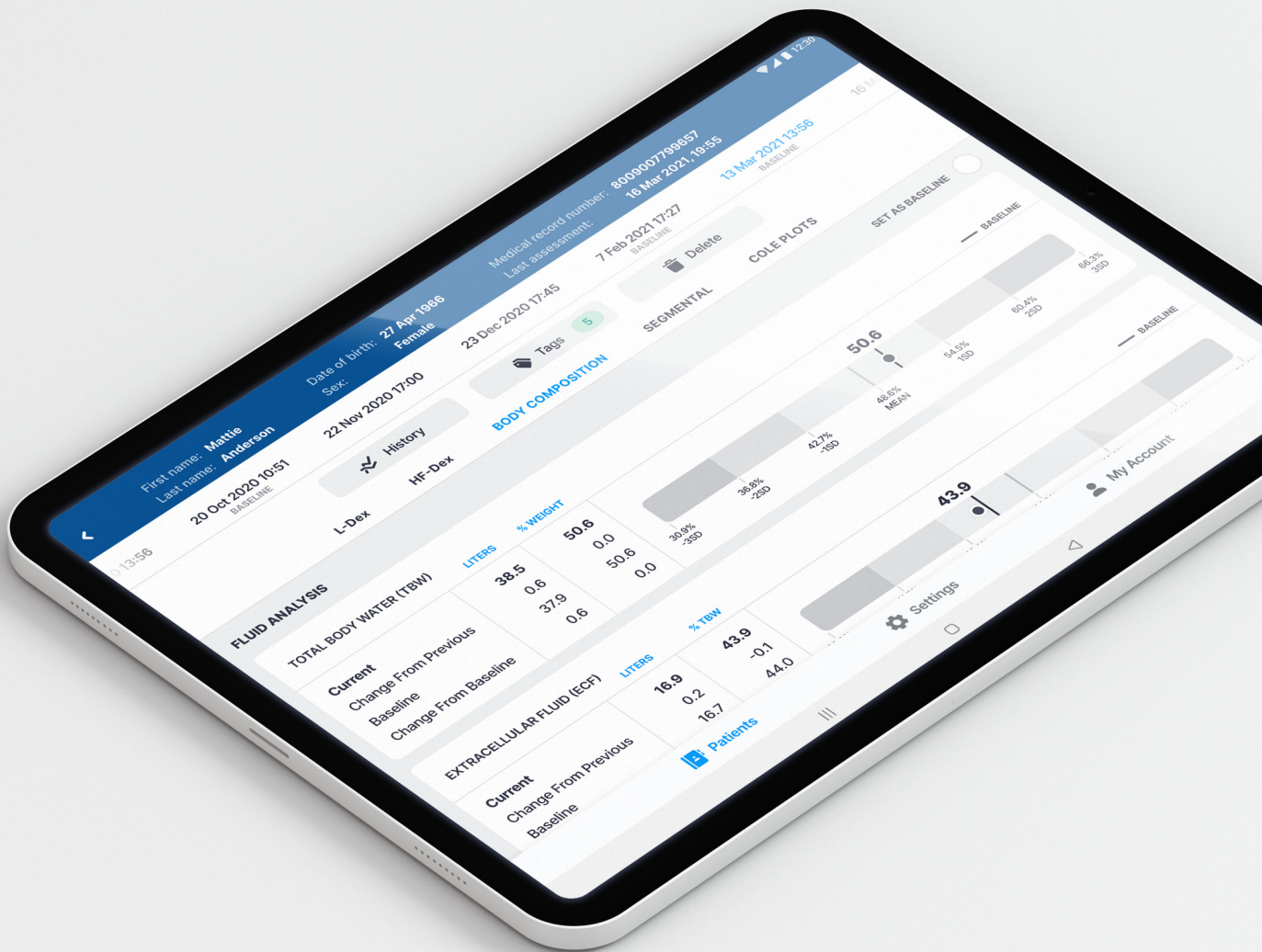
Yours sincerely,



Richard Carreon  
Managing Director and Chief Executive Officer

# DIRECTORS' REPORT

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## Directors



**Scott Ward**

**MS, BSc**

**Non-Executive Chairman**

Scott Ward was appointed Chairman on 15 November 2017 and serves on the Nomination Committee. Scott is the Chairman of the Board, President and CEO of Cardiovascular Systems Inc.

Scott has over 35+ years of experience in the healthcare industry, including nearly 30 years at Medtronic, Inc. He

was the Senior Vice President and President of the CardioVascular business of Medtronic Inc., responsible for all worldwide operations of the CardioVascular Business including the Coronary, Peripheral, Endovascular, Structural Heart Disease and Revascularization and Surgical Therapies businesses. Previously, Scott 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. Scott is also the Founder of Raymond Holdings, LLC a firm with activities in venture capital, strategy and transactional advisory services. He holds a B.S. in genetics and cell biology and an M.S. in toxicology, both from the University of Minnesota.

Scott's experience in the healthcare industry, including his significant leadership experience of public medical device companies and his prior service on the boards of public medical device companies, make him a valuable contributor to the Board.

**Listed company directorships held since 1 July 2018:**

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	July-13	-
Cardiovascular Systems Incorporated (i)	November-13	-

(i) US-based publicly traded company.



**David Anderson**

**BSc**

**Non-Executive Director**

David Anderson was appointed to the Board in May 2020 and serves on the Remuneration Committee. He currently serves as President and CEO of HealthNow Systems Inc, operating as Blue Cross Blue Shield health plans in New York State.

HealthNow operates as a licensee of the Blue Cross Blue Shield Association, which in total, provides health care services to 1 in every 3 Americans across all 50 states and US territories and is accepted at over 90% of US doctors, hospitals and other health care providers.

David is a very experienced and respected US health care industry executive who serves on the board of the National Institute of Healthcare Management, Blue Cross Blue Shield Association board of Directors, the board of the New York State Business Council and the New York State Insurance Advisory Committee as appointed by the Commissioner of the Department of Financial Services.

Additionally, David serves as an advisor and speaker for Modern Healthcare's CEO Power Panel and the Aspen Institute. Prior to his role at BCBS, Mr. Anderson was CEO of United Healthcare's Southern California Health Plan. Mr. Anderson is a native of Fort Wayne, Indiana, and a graduate of Indiana University's Kelly School of Business, with a B.S. in Finance.

**Listed company directorships held since 1 July 2018:**

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	May-20	-



**Judith Downes**

**BA(Hons), DipEd, GradDipBus(Acct), FAICD, FCPA, FCA  
Non-Executive Director**

Judith Downes was appointed to the Board in April 2017, chairs the Audit and Risk Management Committee and serves on the Nomination Committee.

Judith brings over 25 years of accounting and senior management expertise to the Board with a strong focus on financial management and audit and risk management, with large ASX listed companies. During her executive career, she held the roles of CFO at Alumina Limited (ASX: AWC) and as CFO/COO of Institutional Division, ANZ Banking Group Limited (ASX: ANZ).

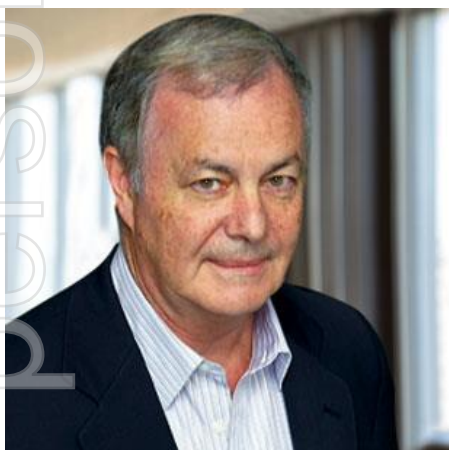
Judith currently serves as Board Chairman of Bank Australia Limited and as an Honorary Fellow of the University of Melbourne’s Faculty of Business and Economics and recently retired as a Director of CleanTeQ Holdings Limited.

Judith is a Fellow of the CPA, Chartered Accountants Australia and New Zealand, and Australian Institute of Company Directors. Judith is also a past member of the University of Melbourne’s finance committee.

Judith has significant experience in corporate governance, debt and equity raisings, financial reporting and Australian listing rules.

**Listed company directorships held since 1 July 2018:**

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	April-17	-
CleanTeQ Holdings Limited	October-18	June-21



**Robert Graham**

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

Dr Graham was appointed to the board in November 2017 and serves on the Remuneration and Nomination Committees.

Bob received his medical training at the University of New South Wales, Australia, where he is now the Des Renford Professor of Medicine, (UNSW). He was the inaugural Executive Director, Victor Chang Cardiac Research Institute (VCCRI), Sydney, Australia, from 1994 – 2020, and continues there as Head, Molecular Cardiology and Biophysics Division, VCCRI, and Des Renford Professor of Medicine, University of NSW.

Bob returned to Australia in 1994 after 17 years working in the US at the University of Texas Southwestern Medical School, Dallas; the Massachusetts General Hospital, Harvard Medical School; the Massachusetts Institute of Technology, and the Cleveland Clinic Foundation and Case Western Reserve University School of Medicine.

**Listed company directorships held since 1 July 2018:**

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	November-17	-



**Amit Patel**  
**MBA, BME**  
**Non-Executive Director**

Amit Patel was appointed to the Board in March 2017 and serves on the Audit and Risk Management and Nomination Committees.

Amit is a Co-Founder and CEO of Murata Vios (formerly Vios Medical), which has created an FDA-cleared

patient management platform that integrates IoT-based monitoring, remote care services, and big data analytics to alleviate gaps in patient vigilance across in-hospital and home environments. Vios is currently commercialising its monitoring and services solution across major hospital systems in the US and India. Vios Medical was acquired by Murata Manufacturing in October of 2017.

Prior to founding Vios, Amit was with HeartFlow where he created a joint go-to-market strategy with GE Healthcare's imaging division, managed the DeFACTO clinical study across multiple UK sites, and developed a health economic story for the NHS. Prior to HeartFlow, Amit was with Medtronic's Corporate Development group and was responsible for acquisitions, minority investments, and joint ventures spanning existing businesses and strategic whitespace areas. Amit has an MBA from Stanford University and a Bachelors of Biomedical Engineering from the University of Minnesota.

**Listed company directorships held since 1 July 2018:**

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	March-17	-



**Donald Williams**  
**BACy, CPA**  
**Non-Executive Director**

Donald Williams was appointed to the Board in March 2017, chairs the Remuneration Committee and serves on the Audit and Risk Management and Nomination Committees.

Don has more than 35 years in leadership roles as a Certified Public Accountant (CPA) and an accredited

public company director, serving the life science, biotech, and medical device industries. Don has significant experience assisting companies and management teams with initial public offerings, complex business challenges and analysis of financial reporting matters. His breadth of experience includes a diverse set of growing domestic and international companies including venture financings, public equity offerings, public debt offerings, mergers and acquisitions, and interaction with the US Securities and Exchange Commission and Public Company Accounting Oversight Board.

While at both Ernst & Young and Grant Thornton, Don was focused on the Life Sciences Industry. For over 15 years, he directed Ernst & Young's Venture Capital and Emerging Growth Markets in the Southeast Market and in the Pacific Southwest Market. During his seven years at Grant Thornton, he was the National Leader of the United States Life Sciences Industry. His oversight of the National Life Sciences Industry included setting strategy, establishing the sales and marketing plan and oversight of industry operations.

**Listed company directorships held since 1 July 2018:**

Company Name	Appointed	Retired / Resigned
ImpediMed Limited	March-17	-
Adhera Therapeutics, Inc. (i)	September-14	December-19
Akari Therapeutics (i)	June-16	-
Alphatec Holdings Inc (i)	May-15	August-21
Forte Biosciences (i)	Jun-20	-

(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 organisations 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 2018:**

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	Title	Ordinary Shares
S Ward	Chairman	3,403,180
D Anderson	Non-Executive Director	914,951
J Downes	Non-Executive Director	2,421,780
R Graham	Non-Executive Director	1,822,769
A Patel	Non-Executive Director	1,939,182
D Williams	Non-Executive Director	2,392,556
R Carreon	Executive Director	3,770,707

**Company Secretary**



**Leanne Ralph**  
Company Secretary

Leanne Ralph was appointed to the position of Company Secretary in January 2015. Leanne has over 15 years of experience in company secretarial roles and holds this position for a number of ASX-listed entities. Leanne is a Fellow of the Governance Institute of Australia and a Graduate Member of the Australian Institute of Company Directors.

## Executives



**Frank Vicini, M.D.**  
Chief Medical Officer (i)



**Timothy Cruickshank**  
Chief Financial Officer



**Shashi Tripathi**  
Chief Technology Officer



**David Adams**  
Senior Vice President  
Operations and Strategic Planning



**Catherine Kingsford**  
Senior Vice President  
Medical Affairs



**Dennis Schlaht**  
Senior Vice President  
R&D and Technology



**Michael Bassett**  
Senior Vice President  
Corporate and Strategic Development (i)



**Nancy Deisinger**  
Senior Vice President  
Human Resources (i)

(i) Certain Executives are not considered Key Management Personnel for purposes of the Remuneration Report.

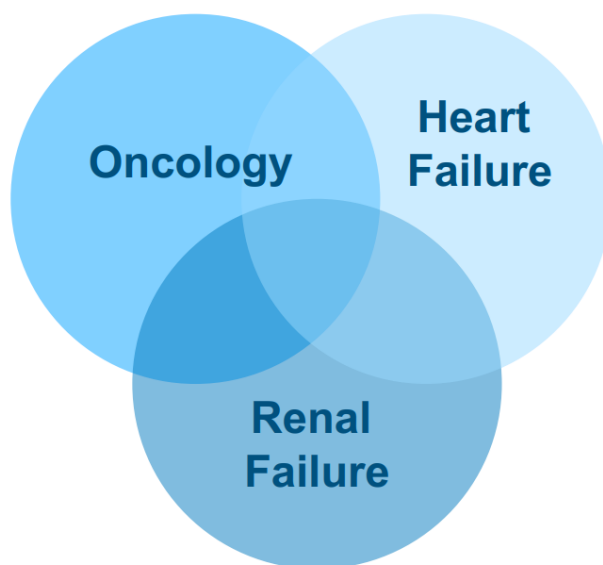
## Principal Activities

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 year were the development, manufacture and sale of BIS devices and software services with a focus on the early detection of lymphoedema and heart failure.

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

The Group is initially focused on three large and growing markets: Oncology, Heart Failure, and Renal Failure.



These markets overlap significantly and represent an annual addressable market of over \$2.0 billion.

	<b>Oncology</b> Lymphoedema Protein Calorie Malnutrition Dehydration	<b>Heart Failure</b> Fluid Overload	<b>Renal Failure</b> Fluid Overload Protein Calorie Malnutrition
<b>Chronic disease</b>	✓	✓	✓
<b>Long-term patient management</b>	✓	✓	✓
<b>High cost of care</b>	✓	✓	✓
<b>Large unmet need</b>	✓	✓	✓

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

## Dividends

No dividends were paid or proposed to be paid to shareholders for the year ended 30 June 2021.

# 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 four entities:

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

**ImpediMed Incorporated**, a Delaware corporation in medical markets in North America.

**ImpediMed Hellas**, a Kalamaria, Greece corporation involved in research & development with a marketing capacity in Europe.

**ImpediMed TM Incorporated** (formally XiTRON Technologies, Incorporated), a California corporation formerly operating in power test and measurement markets globally. ImpediMed TM Incorporated discontinued operations during the year ended 30 June 2019.

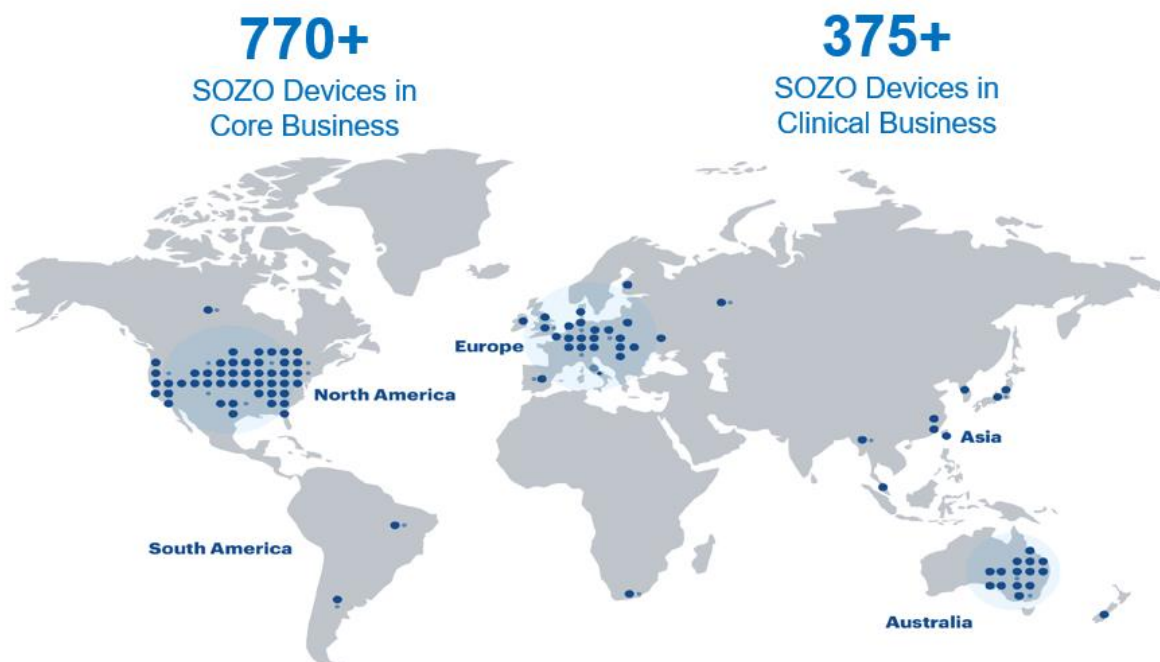
For more information, visit [www.impedimed.com](http://www.impedimed.com).

## Dynamics of the Business

The Parent and its wholly owned subsidiary, ImpediMed, Inc., are a global provider of medical technology to measure, monitor and manage tissue composition and fluid status using bioimpedance spectroscopy (BIS). These entities generate the BIS revenue for the Group through the sale of medical devices (such as SOZO), subscription services associated with the license fees on SOZO devices, and 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 healthcare providers better detect and manage chronic disease in patients and give individuals medically meaningful information to better manage their health. BIS is able to provide highly accurate and informative metrics to routinely monitor and manage the health of patients.

In the U.S. market, the Group has an employed, direct sales force that focuses on the sale of SOZO devices and the associated subscription services related to the unilateral and bilateral indications. Outside of the U.S. market, the Group has a mix of employed sales representatives and independent distributors.



 National Comprehensive Cancer Network®

 NATIONAL CANCER INSTITUTE  
Center for Cancer Research

**34**

 AstraZeneca

2 international drug studies involving 375+ sites  
in 28 countries evaluating fluid volumes  
(heart failure & renal failure patients)

As of 30 June 2021, not all units for the AstraZeneca trials were yet deployed.

# SOZO<sup>®</sup> DIGITAL HEALTH PLATFORM

**SOZO, the world's most advanced, noninvasive bioimpedance spectroscopy (BIS) device,** incorporates L-Dex<sup>®</sup> technology to aid in the assessment of secondary lymphoedema and fluid status to monitor patients living with heart failure. SOZO delivers a precise snapshot of L-Dex, fluid status, and tissue composition in less than 30 seconds allowing clinicians across multiple specialties to provide individualized, proactive care that can help improve patient outcomes.



Platform Technology.  
Transforming Care.

For personal use only



## SOZO – Connected Digital Health Platform

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

### Access

Test patients at any location and immediately review results online.

### Trends

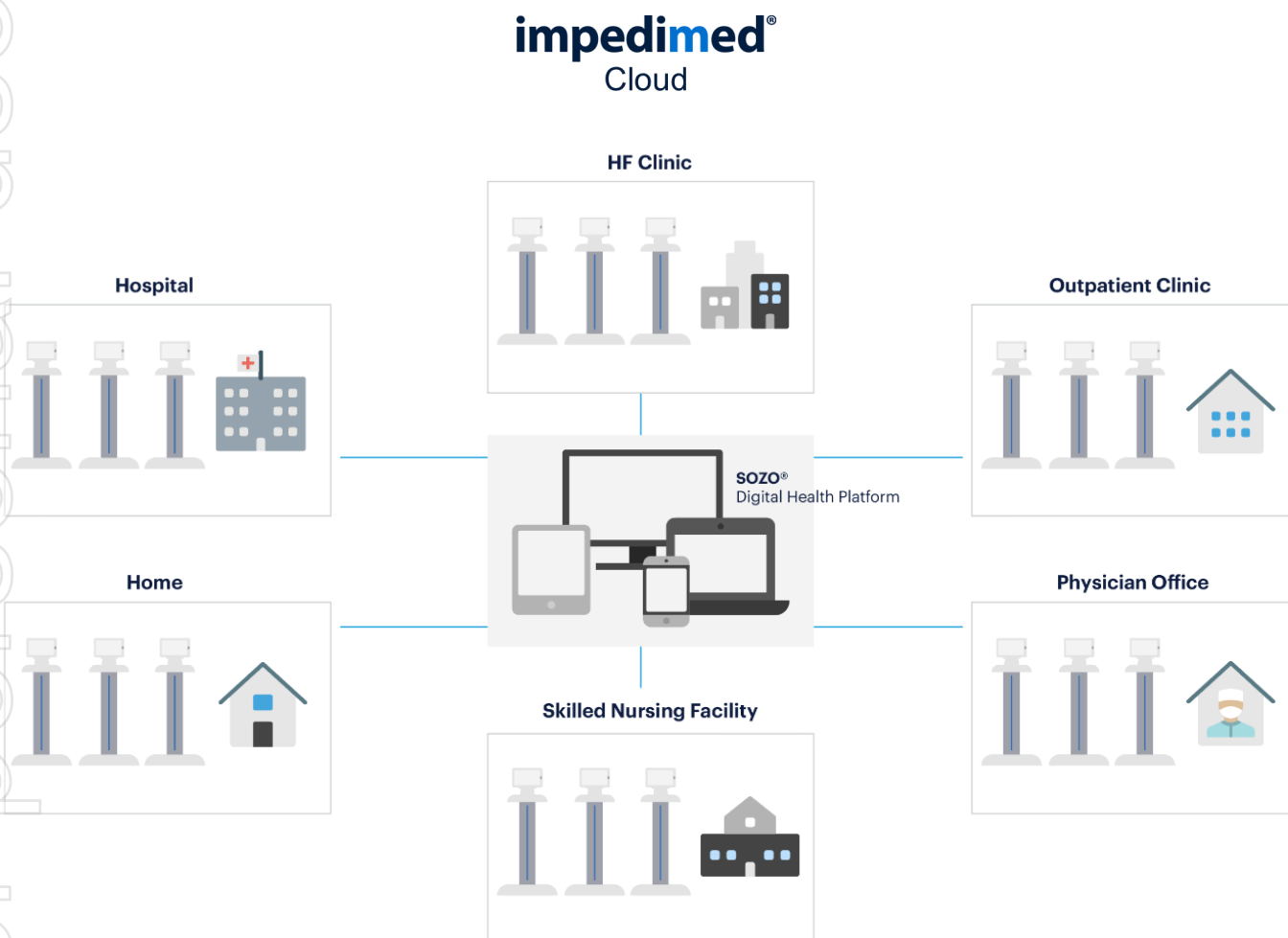
Track trends in patient data for actionable results.

### Scalable

Add and move test locations without any additional software setup.

### Secure

Control who accesses the HITRUST certified SOZO network and establish unique security settings.



# Milestones

For the year ended 30 June 2021, the Group achieved a number of key milestones across all three strategic focus areas: Oncology, Heart Failure and Renal Failure; as well as technological advancements in support of these key focus areas.

## ONCOLOGY

### PREVENT

11 January 2021

#### PREVENT Trial Completed – Final Patient Completed Follow-up

The Group announced that the PREVENT trial is now complete. In addition, the study investigators submitted the manuscript for peer review at the end of February 2021. The Principal Investigator, Sheila H. Ridner, PhD, RN, FAAN, Research Professor at Vanderbilt University School of Nursing, has communicated the following to the Group:

- All PREVENT trial patients have now completed their follow-up visits.
- No patients are still undergoing treatment.
- The 10 participating sites are closed, and all data has been compiled.
- The study investigators submitted the manuscript for peer review at the end of February 2021.

The PREVENT trial is a seminal study, the largest randomised controlled trial to be conducted on patients at-risk of lymphoedema. The study enrolled >1200 patients across 10 trial sites in the US and Australia, involving 13 hospitals. Of these, 3 of the 9 US sites are National Comprehensive Cancer Network® (NCCN) Member Institutions. The trial was conducted for over six years and patients were followed for up to three (3) years, with primary aim to determine if subclinical detection of extracellular fluid accumulation via bioimpedance spectroscopy, and subsequent early intervention, reduces the rate of lymphoedema progression relative to the rate when using tape measurements.



30 November 2020

#### Meta-analysis: BIS L-Dex Statistically Significant Reduction in Lymphoedema

The Group announced the publication of a meta-analysis, demonstrating the effectiveness of ImpediMed's L-Dex measure utilising bioimpedance spectroscopy technology (BIS L-Dex) in reducing the relative subsequent incidence rates of chronic breast cancer-related lymphoedema (BCRL) by 81% when compared to circumference monitoring (tape measure) with a p-value of <0.001. In every high-risk subgroup evaluated, BIS L-Dex achieved significant reductions in the incidence of chronic lymphoedema with p-values of <0.001. The results are both statistically and clinically significant, demonstrating patients monitored with BIS L-Dex were significantly less likely to develop chronic BCRL. Tape measure underperformed the background group, highlighting that tape measure does not identify subclinical lymphoedema.

The meta-analysis, titled *The Impact of Monitoring Techniques on Progression to Chronic Breast Cancer Related Lymphedema: A Meta-Analysis Comparing Bioimpedance Spectroscopy versus Circumferential Measurements*, was performed on 50 eligible studies and included >67,000 women with breast cancer, with follow up ranging from eight (8) months to 3.9 years.

The paper made the following conclusions:

- 1 Evidence suggests that monitoring with BIS allowing for early intervention, significantly reduces the relative risk of chronic BCRL, with a 69% and 81% reduction compared to background and circumference measurements, respectively.
- 2 Circumference monitoring did not appear to provide a benefit with respect to chronic BCRL incidence.
- 3 Based on these results, BIS should be considered for BCRL screening in order to detect subclinical BCRL and reduce rates of chronic BCRL, particularly in high-risk patients.

The purpose of the meta-analysis was to evaluate BCRL incidence rates among patients monitored by BIS L-Dex compared to patients monitored using circumference (tape measure) measures or patients having no standardised monitoring (background). A meta-analysis provides a high level of evidence when rating strength of research, as it integrates all relevant evidence and provides a more reliable answer than a single study. The meta-analysis and the recently published Boyages, et al. paper will together form a strong submission to the National Comprehensive Cancer Network® (NCCN).

SpringerLink is the world's most comprehensive online collection of scientific, technological and medical journals, books and reference works. SpringerLink offers electronic and printed literature from Springer-Verlag, a preeminent scientific publisher with a reputation for excellence spanning more than 150 years.



16 November 2020

### **NSW Health Further Expands Lymphoedema Prevention Program**

New South Wales (NSW) Health further expanded patient access to its lymphoedema prevention program using the SOZO Digital Health Platform through the purchase of 25 additional SOZO units. NSW Health is now one of the largest providers of the SOZO Digital Health Platform in Australia. As of the date of this report, the NSW Health has now expanded their program to over 50 SOZO units.

NSW Health operates over 230 public hospitals in its eight local districts that cover the Sydney metropolitan region and surrounding rural areas. NSW is the largest public health system in Australia, with nearly 45,000 new cancer cases every year. As a connected health platform, SOZO allows a patient's care providers to access their lymphoedema measurements at every location in the NSW Health network.



29 October 2020

### **Landmark Radiation Manuscript Supports L-Dex Use**

The Group announced the publication of a sub-analysis of the PREVENT trial that demonstrates the benefit of BIS L-Dex in detecting subclinical breast cancer-related lymphoedema (sBCRL) compared to tape measure. The study, published in the prestigious *International Journal of Radiation Oncology, Biology and Physics*, contributes new insight into the role of regional nodal irradiation on the incidence of breast cancer-related lymphoedema.

The analysis concluded that the "lower triggering rates with BIS and its better discrimination of the risk of sBCRL by receipt and type of regional node irradiation (RNI) as compared to tape measure to support its use for post treatment surveillance to detect sBCRL and initiate early intervention. The risk of sBCRL increased with more extensive axillary treatment."

The study was performed by world-renowned radiation oncologists and investigators from the PREVENT trial. Data from the PREVENT trial over a 2-year period was analysed to determine the incidence of sBCRL stratified by the extent of treatment by surgery and/or level of radiation.

## HEART FAILURE



4 May 2021

### American College of Cardiology Abstract Demonstrates Potential of SOZO in Heart Failure

The Group announced that the publication of an HF-Dex abstract, "Bioimpedance Spectroscopy Measurement of Ongoing Fluid Overload Post-Discharge from Hospitalization for Decompensated Heart Failure" authored by Annie Burns, ACNP, was accepted for poster presentation at the American College of Cardiology (ACC) 70<sup>th</sup> Virtual Annual Scientific Session. The abstract showed the following:

- Heart failure patients with HF-Dex over 51% at the time of hospital discharge are 4.25 times more likely to be readmitted to hospital within 45 days of heart failure than patients with HF-Dex below 51%. This difference was statistically significant with a P value of 0.0472.
- Of the 10 patients readmitted for heart failure, 70% of them had a discharge HF-Dex level over 51%. This corresponds to an odds ratio of 4.25 (95% CI: 1.02 to 17.7, P=0.0472)
- Overall, 7 of 35 (20%) patients with HF-Dex levels over 51% on discharge were readmitted compared to only 3 of 54 (5.7%) patients with HF-Dex levels below 51%.
- The conclusion from the abstract states that HF-Dex measurements near the time of hospital discharge may help identify individuals at higher risk for readmission and may benefit from closer follow-up to reduce the likelihood of readmission.

This is a significant finding, as the cost of hospital readmissions is enormous, costing the US healthcare system an estimated USD \$31 billion annually, and hospitals must cover the cost of readmissions in the first 30 days of discharge. Additionally, Medicare fines hospitals for high readmission rates with 82% of hospitals in the programs receiving readmission penalties in 2019. A study conducted by the Agency for Healthcare Research and Quality (AHRQ) on readmissions from 2011 identified congestive heart failure as the top cause of readmissions among Medicare patients with nearly 1 in 4 readmitted within 30 days.



22 April 2021

### FDA Clearance for SOZO Heart Failure Index

The Group announced the United States Food and Drug Administration (FDA) 510(k) clearance of ImpediMed's SOZO device to include a heart failure index (HF-Dex) as a monitoring tool for patients living with heart failure.

- SOZO HF-Dex analysis provides an objective measure of fluid levels to assist in the clinical assessment of heart failure patients. The HF-Dex analysis is obtained through a simple, non-invasive, easy to administer, 30 second test.
- When used in conjunction with other clinical data, HF-Dex can be useful for clinicians to risk-stratify heart failure patients with fluid management problems.
- HF-Dex is presented together with normal fluid volume reference ranges.
- The results are displayed graphically to enable tracking over time.
- Reference ranges are provided from grey to dark blue to help visualize increases in extracellular fluid as compared to a normal healthy population.
- HF-Dex provides medically meaningful and actionable data which allows clinicians to more effectively and efficiently manage heart failure patients.

The clinical utility of HF-Dex has been demonstrated in peer-reviewed publication and abstracts accepted at internationally renowned cardiology conferences such as the American College of Cardiology and the Heart Failure Society of America.



Phoenix Healthcare  
NETWORK

18 November 2020

### ImpediMed Secured First Commercial Heart Failure Sales

The Group received the first order for its SOZO Digital Health Platform to be used in the management of heart failure patients. Phoenix Healthcare Network, which operates cardio-pulmonary rehabilitation units within nursing homes and long-term care facilities, has initially purchased five SOZO units, with implementation to begin early in calendar year 2021.

The Phoenix Healthcare network of over 80 independent companies provide products and consultation services to skilled nursing facilities in the U.S. and Canada. There are over 15,500 skilled nursing facilities in the US offering longer-term care to patients in need of assistance with the activities of daily life. Approximately 25% of first-time U.S. Medicare heart failure hospital patients are discharged to skilled nursing facilities, up from only 5% thirty years ago. These trends are being driven with the objective of reducing hospital readmissions and combatting chronic heart failure post-acute care costs which can comprise up to 70% of the total cost of care.



1 October 2020

### HFSA Poster Supports HF-Dex in the Management of Heart Failure Patients

The Group announced a poster presentation at the prestigious Heart Failure Society of America (HFSA) Virtual Annual Scientific Meeting demonstrating that a SOZO with HF-Dex assessment greater than 51% serves as a marker for heart failure hospital readmission. The poster combines heart failure patient data from ImpediMed's Heart Failure at Home and IMPEL studies. The findings showed a statistically significant ( $p < 0.05$ ) difference in median HF-Dex for patients readmitted for heart failure (52.1%) compared to patients not readmitted for heart failure (49.0%) and healthy subjects (44.8%). The poster was authored by Dr. Andrew Accardi, Emergency Medicine Physician at Scripps Health in San Diego and co-authored by Dr. Tom Heywood, Heart Failure Cardiologist at Scripps Health.



30 September 2020

### Scripps Collaboration Resulted in SOZO for Heart Failure Launch

The Group announced it launched its fluid analysis for heart failure software for the SOZO Digital Health Platform. The launch followed an intensive round of review and improvements in collaboration with Dr. Tom Heywood and Dr Andrew Accardi at Scripps Health in San Diego, California USA. The updates improve usability and data visualisation for cardiologists to implement SOZO as an objective measure of fluid volume for their heart failure patients.

The SOZO fluid analysis for heart failure is a novel tool for assessing fluid overload in heart failure. It utilises ImpediMed's HF-Dex heart failure index which is a measure of extracellular fluid as a percent of total body water. The recent improvements incorporated colour-coded HF-Dex reference ranges and additional colour-coded graphs to show extracellular, intracellular, and total body fluid volume as well as weight.

The HF-Dex reference ranges were derived from an analysis of heart failure patients from ImpediMed's heart failure home study and research performed on healthy subjects. The heart failure home study is an observational study that tracks recently hospitalised heart failure patients with daily SOZO tests at home. The analysis yielded BIS-derived reference ranges for normal fluid volumes, elevated fluid volumes, and fluid overload, which is defined as HF-Dex greater than 51%. Data from this study, combined with individual patient case reports illustrates the benefits of SOZO in heart failure patients:

- Differentiating between fluid and tissue-related weight changes
- Tracking response to medication changes
- A marker for readmission when HF-Dex is higher than 51%



30 September 2020

### AstraZeneca Selected SOZO for Heart Failure & Renal Trials

AstraZeneca selected SOZO to be used in a Phase II trial to measure and track fluid volume in patients with heart failure and chronic kidney disease. The study will evaluate the efficacy, safety, and tolerability of a combination of two AstraZeneca drugs in heart failure patients with chronic kidney disease. The study will require approximately 175 SOZO devices globally, will run for approximately 18 months and will generate in excess of \$2.0 million in revenue. The trial will provide a significant number of cardiologists, both in the US and globally, firsthand experience with SOZO.

## RENAL FAILURE



9 November 2020

### AstraZeneca selected SOZO for Second Large Renal Trial

AstraZeneca selected SOZO to be used in a second Phase II trial to measure and track fluid volume in patients with chronic kidney disease. Approximately 200 SOZO devices will be required for the trial across 24 countries. The trial will run for approximately 18 months and will generate in excess of \$2.0 million in revenue. This is in addition to the Phase II trial announced in September 2020. In total, approximately 375 SOZO devices will be leased under the two studies, bringing the total expected revenue to more than \$4.5 million.

## TECHNOLOGY



17 December 2020

### ImpediMed Achieved HITRUST® CSF Certification

The certification gives the highest level of assurance in the Group's systems integrity. In the US, customers are more frequently demanding HITRUST for this additional level of assurance above HIPAA (Health Insurance Portability and Accountability Act of 1996) and Business Associate compliance. This certification will further streamline the Group's sales process with major institutions beginning to require HITRUST as a prerequisite to conducting business.

The HITRUST Common Security Framework (CSF) is a comprehensive and certifiable security framework used to approach regulatory compliance, quality, and risk management. HITRUST unifies recognised standards and regulatory requirements from NIST, HIPAA/HITECH, ISO, PCI DSS, FTC, and COBIT, making it one of the most robust security frameworks around the world. HITRUST sets the global standard for safeguarding information and this certification places ImpediMed at the forefront of quality assurance and customer data protection. ImpediMed joins a select group of companies that have passed this rigorous process and obtained certification.

## Official Release of SOZO Version 4.0 Software

The Group made commercially available the next generation Version 4.0 software for the SOZO Digital Health Platform with a series of significant enhancements around usability, new applications and security.

### Usability

With a major revamp of the User Interface being the centerpiece of this release, an intuitive redesign makes the software even easier to use. Clinicians can now access and review data with ease. In addition, the information is customisable so clinicians can see the data in the format that is most meaningful to them.

### New Applications and Features

Featured in Version 4.0 for the first time are body composition reference ranges and Segmental Analysis. Body composition reference ranges give the clinician meaningful comparator data to better assess a patient's health. The Segmental Analysis application opens new segments of the breast cancer reconstructive and lymphatic and plastic surgery markets.

Version 4.0 incorporates Notes and Tags, enabling clinicians to tag and make patient notes supporting clinical decision making and assist clinicians in the timely retrieval of valuable information.

Version 4.0 has also allowed for the alignment of iOS and Android software, allowing for a streamlining of support and development going forward.

### Security

Enhanced privacy and security features such as Multi Factor Authentication (MFA) and Single Sign On (SSO) continue the track record of striving for the most stringent security measures to protect patient data. Version 3.0 brought HIPAA and Business Associate compliance and more recently HiTrust certification. Now, SOZO Version 4.0 further enhances the levels of security at the source of sign on with MFA and SSO capability.

## SOZO Software Version Feature Comparison

	2.0.1	3.0	3.1	4.0
L-Dex Analysis for Lymphedema*	✓	✓	✓	✓
Body Composition Analysis*	✓	✓	✓	✓
Cloud-based	X	✓	✓	✓
HiTrust Certified	X	✓	✓	✓
Automated Cole Plot Analysis	X	✓	✓	✓
Android & iOS	Android Only	✓	Android Only	✓
Merge Patients	X	X	✓	✓
Delete Measurement	X	X	✓	✓
Groups	X	X	✓	✓
One Email: Admin/Clinician	X	X	✓	✓
Body Composition Reference Ranges	X	X	X	✓
Segmental Analysis*	X	X	X	✓
Tags	X	X	X	✓
Notes	X	X	X	✓
Single Sign On	X	X	X	✓
Multi-Factor Authentication	X	X	X	✓
Patient List Hidden at Sign-on	X	X	X	✓

\* Requires a separate license

# Technology Adoption

## SOZO Patient Tests

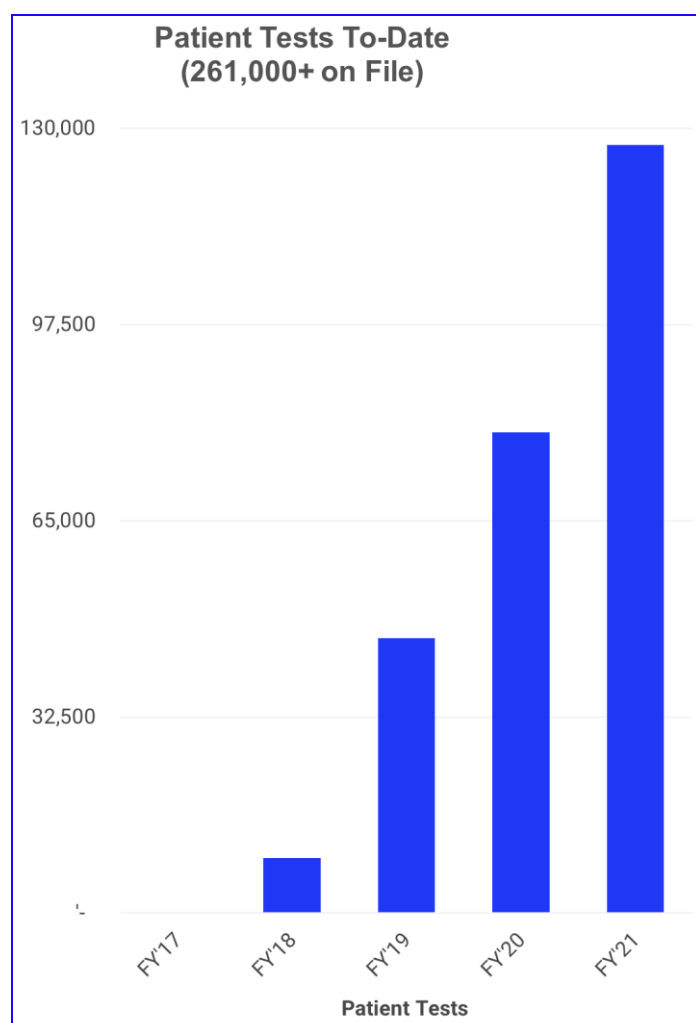
As of 30 June 2021, ImpediMed's customers have conducted more than 261,000 patient tests since the initial launch of SOZO, including over 127,000 patient tests conducted in FY'21 alone, a 60% increase year over year.

Record quarters for patient tests occurred in each quarter of FY'21, with over 37,000 patient tests completed in Q4 FY'21 alone. This is an increase of more than 109% year over year.

Despite patient testing in the US and Australia slowing down at various periods during the year due to COVID-19 lockdowns, the Group continues to see robust growth. Thus far in Q1 FY'22 the Group has seen a decline in testing, primarily in Australia as a result of the continued lockdowns. In addition, US patient testing is likely to see choppiness as uncertainty with new variants of COVID-19 remain and as resources from all over the US healthcare system continue to be diverted by vaccination efforts. The Group continues to monitor patient testing and utilisation of our devices by customer and regionally, in order to place resources in areas with the ability to drive growth.

To date, our growing patient database now has more than 802 million individual data points that have allowed us to:

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





# Operating and Financial Review

## Operating Results for the Year

### Revenue

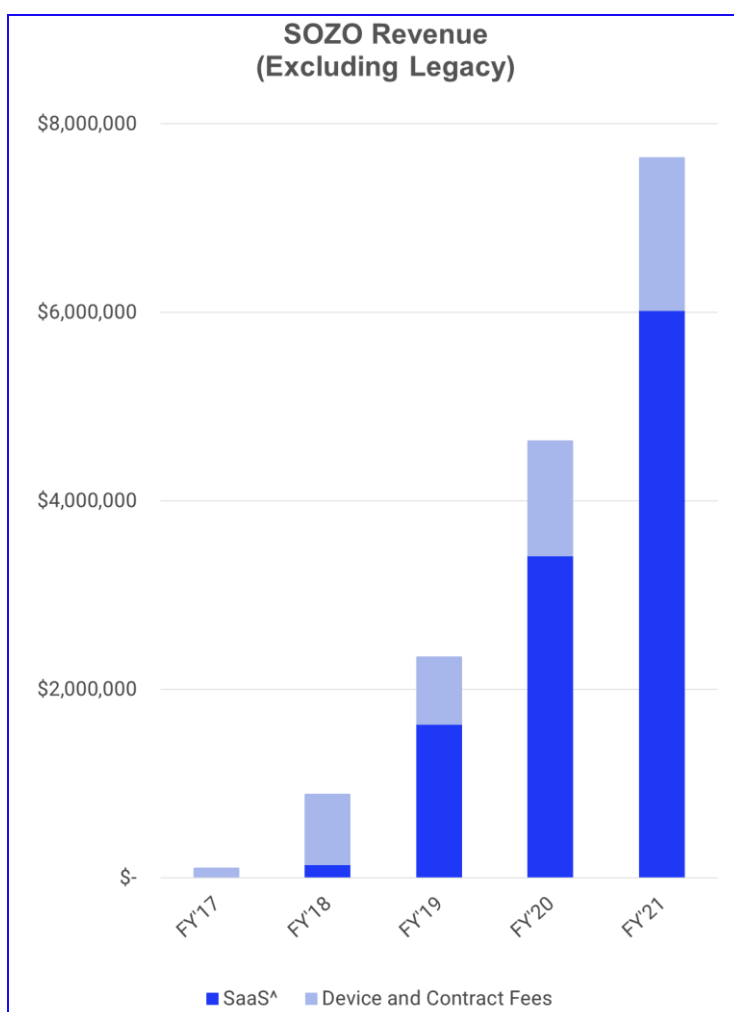
Total Revenue for the current period was \$8.4 million, an increase of 46% from the previous corresponding period (30 June 2020: \$5.7 million) despite the ongoing headwinds from the global COVID-19 pandemic. The increase in revenue was attributable to SOZO, which was slightly offset by a decrease in legacy consumables revenue as the remaining legacy product customer base continued to transition to the SOZO platform.

SOZO Revenue for the current period was \$7.6 million, an increase of 64% over the previous corresponding period (30 June 2020: \$4.7 million). This increase in revenue was attributable to SOZO commercialisation efforts in (1) landing accounts through the sale of new SOZO devices, (2) the expansion of existing SOZO customers, and (3) the additional revenue stream from the Clinical Business.

**LANDING ACCOUNTS (Device and Contract Fees):** As of 30 June 2021, there were more than 770 SOZO units in the market (30 June 2020: 565 SOZO units), representing a 37% increase in the number of units sold, when compared to 30 June 2020. To date, the majority of device sales are in the Oncology market.

**EXPANDING ACCOUNTS [Software-as-a-Service (SaaS)]:** Of the SOZO revenue, \$6.0 million related to SaaS and recurring revenue (30 June 2020: \$3.4 million), a 77% increase over the previous corresponding period. Of the \$6.0 million in SaaS and recurring revenue, \$4.2 million was generated by the Core Business and the remainder was generated by the Clinical Business.

**CLINICAL BUSINESS:** During the period, the Group executed a number of contracts within the Clinical Business, with the two largest contracts being the AstraZeneca studies. AstraZeneca selected SOZO for two Phase II clinical trials to measure fluid volume in patients with heart failure and chronic kidney disease. Approximately 375 SOZO devices will be leased across 31 countries for the two studies. These contracts are valued at over \$4.5 million. Clinical Business Revenue for the current period was \$1.9 million.



\*The values shown are for SaaS Revenue across all lines of business, including the Core Business and Clinical Business. Refer to Note 4 *Segment Reporting* of the financial statements for a detailed breakdown of revenue between these lines business within the Medical Segment.

**\$8.7m**

**ARR**  
**+67%**  
YOY'

**\$14.5m**

**CRP**  
**+33%**  
YOY'  
Over \$12m TCV signed in FY'21

**90%+**  
**SaaS GROSS MARGINS**

**1%**  
**CHURN RATE**  
**100% Renewal Rate**

(i) YOY denotes Year-over-Year change in metric. All figures are stated in Australian dollars (AUD) unless otherwise notated.

### SaaS Financial Metrics

In addition to revenue recognised during the current period, the Annual Recurring Revenue (ARR) on SOZO contracts signed at 30 June 2021 totaled \$8.7 million, an increase of 67% over the previous corresponding period (30 June 20: \$5.2 million).

Contracted Revenue Pipeline (CRP) at 30 June 2021 was \$14.5 million (30 June 2020: \$10.9 million), an increase of 33% over the previous corresponding period.

Gross Margins exceeded 90% on SaaS revenue for the period and the Group expects to maintain these margins on the entire CRP of \$14.5 million.

The Churn Rate remained negligible at 1% globally. The few cancellations that occurred primarily related to small, independent surgeon offices that were unable to complete their contracts. In addition, the Group renewed 100% of the contracts up for renewal in the period.

### Glossary of Terms used by ImpediMed

<b>Annual Recurring Revenue (ARR) (i)</b>	The amount of revenue reasonably expected to be booked for the next 12-month period based on existing contracts, and assuming installation upon sale.
<b>Contracted Revenue Pipeline (CRP) (i)</b>	The future period revenue amounts related to TCV that are yet to be reported as recognised revenue. Certain customer contracts that make up the Group's CRP contain cancellation clauses related to services yet to be performed. The Contracted Revenue Pipeline assumes minimal to no churn, highlighting the importance of customer experience and satisfaction.
<b>Total Contract Value (TCV) (i)</b>	The total value of customer contacts including one-time and recurring revenue.
<b>Churn (i)</b>	The total devices placed with end-user customer(s) who either (i) canceled while under their contracted period or (ii) elected not to renew their contract at the end of the contracted period.
<b>Churn Rate (i)</b>	$\left[ \frac{\text{Churn}}{\left( \frac{\text{Total device placements at beginning of period} + \text{Total device placements at end of period}}{2} \right)} \right]$

<b>Renewal Rate (i)</b>	[ Total number of end-user customer contracts with expiration dates during the period that were retained ] / [ Total number of customer contracts with expiration dates during the period ]
<b>Core Business</b>	The Core Business refers to the commercialisation efforts from the Company's core strategic focus areas. To date, this primarily includes revenue from SOZO contracts in the Oncology market.
<b>Clinical Business</b>	The Clinical Business refers to revenue generating contracts related to clinical trials. These contracts are often finite in nature, as they relate to clinical trials with specific end dates.

- (i) Certain terms used by ImpediMed are unaudited, non-AASB financial metrics that do not represent revenue in accordance with Australian Accounting Standards. The values shown for total ARR and CRP are across all lines of business, including the Core Business and Clinical Business.

## Operating Results – Investing in Large, Growing Markets

Net loss from continuing operations for the period was \$20.7 million (2020: \$21.4 million). The decreased loss from continuing operations, when compared with the prior year, is primarily attributed to increased revenue from the Group's high margin SaaS revenue and a decrease in clinical trial costs, slightly offset by a decrease to proceeds from tax incentives and government grants and an increase in staff costs.

Cost of goods sold for the current period were \$1.6 million (30 June 2020: \$1.7 million). The decrease from the prior period was primarily attributable to a decrease in software-as-a-service related costs on a per device basis, as well as a reduction to provisions held over inventory.

Clinical trials and research & development costs for the current period were \$1.5 million (30 June 2020: \$3.3 million). The decrease from the prior period was primarily attributable to the completion of the PREVENT Trial, as the last patient completed follow-up in December 2020.

Other income for the current period was \$2.4 million (30 June 2020: \$4.1 million). The decrease from the prior period was primarily attributable to the government grants received by the Group in FY'20 that were not available to the Group in FY'21.

Salaries and benefits for the period ended 30 June 2021 totaled \$17.3 million (30 June 2020 \$15.5 million), an increase of 12%. The increase from the prior period was primarily (i) additional sales personnel on staff compared to the prior period and (ii) the accrual of short-term incentives related to the period. These increases were slightly offset by the temporary reduction to NED fees and Executive base salaries during the period. Refer to the Remuneration Report for additional information on NED and Executive remuneration.

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

# Significant Changes in the State of Affairs

## Review of Financial Condition – Liquidity and Capital Resources

Cash and cash equivalents were \$19.7 million at 30 June 2021 (30 June 2020: \$19.7 million). Net cash used in operating activities for the year ended 30 June 2021 was \$13.3 million (30 June 2020: \$19.2 million). The decrease in net cash outflow was attributable to increased receipts from customers; reduced cash payments to Executives via the Equity Compensation Plan; as well as cost reduction measures undertaken by the Group during the year.

Cash receipts for the period were \$7.7 million (2020: \$5.4 million), an increase of 43% over the previous corresponding period.

Cash outflow from investing activities was \$2.5 million during the period (2020: \$2.1 million). The increase in cash flows used in investing activities is primarily related to development costs (which are capitalised) associated with SOZO II hardware, in addition to continued software development costs.

Cash inflow from financing activities was \$16.5 million during the period (2020: \$30.2 million). During the period, the Group received \$16.8 million in option exercises, before costs, related to the 2 April 2020 Entitlement Offer.

## Foreign Currency – Effects on Operating Results

The Group maintains a significant portion of available funds in U.S. dollars to match U.S. dollar expenditure needs. The loss from continuing operations for the period before income tax includes a realised foreign exchange loss arising from operating expenses in the U.S and Europe.

The spot exchange rate for the beginning and end of the current reporting period was AUD \$1.00 to USD \$0.69 and USD \$0.75, respectively. The spot exchange rate for the beginning and end of the prior reporting period was AUD \$1.00 to USD \$0.70 and USD \$0.69, respectively. This fluctuation of the exchange rate led to a favourable outcome in reporting operating expenditure but led to an unfavourable outcome in reporting cash and cash equivalents when compared to the prior period.

The average exchange rate for the reporting period was \$0.75 (Australian dollar (AUD) to US dollar (USD)) (2020: \$0.67). During 2021, the Group incurred unrealised mark-to-market foreign currency translation losses of less than \$0.1 million (2020: \$0.1 million).

# Significant Events after the Balance Sheet Date

## Issuance of Ordinary Shares – Equity Share Plans

On 5 July 2021, the Group issued 2,317,961 shares to Non-Executive Directors and Executives as part of the Equity Share Plans, related to the Q4 FY'21 performance period covering 1 April 2021 – 30 June 2021. These shares were issued in lieu of cash remuneration, which comprised 100% of Directors' fees and 20% of Executive's base salaries.

## Issuance of Ordinary Shares – Performance Rights

On 6 August 2021, the Group issued 155,000 shares related to performance rights to key management personnel (KMP).

## SOZO Granted Designation as a Breakthrough Device by U.S. Food and Drug Administration (FDA)

On 23 August 2021, the Group announced that SOZO has received FDA Breakthrough Device Designation for a proposed indication in a renal patient population.


ImpediMed intends to use its well-established SOZO bioimpedance spectroscopy (BIS) platform to provide an exact measure of fluid volume to remove during a dialysis session. The current process, utilising weight scales to determine accumulation of fluid, has significant deficiencies. The scales cannot account for changes in body composition, with muscle loss being prevalent in end-stage renal disease patients. The potential for SOZO to address this deficiency was paramount in meeting the criteria for Breakthrough Designation.

The breakthrough designation positions ImpediMed to successfully expand its SOZO platform into the renal space. ImpediMed will partner with the FDA to expediate the development and clearance of SOZO. The breakthrough sprint sessions are the perfect forum to develop the clinical evidence plan, including trial design, to obtain data that will result in a successful clearance to market.

## Receipt of \$1.8 Million R&D Tax Incentive Refund

On 24 August 2021, the Group announced the receipt of a \$1.8 million cash refund related to the R&D Tax Incentive, further strengthening the Company's balance sheet. The cash rebate is related to expenditure on eligible Australian and international R&D activities during the 2021 financial year.

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**Lymphedema can't**  
ruin my survivorship,  
if I detect it early.

**You can** take control of your survivorship with simple, early lymphedema detection—before it becomes chronic.

# Likely Developments & Expected Results

The following are areas of focus for the Group, as well as likely developments expected to impact the Group's financial results in the near-term:

## Revenue Growth – Expanded Footprint

In the 2021 financial year, the Group recorded 64% growth in its SOZO Revenue compared to the prior year. With over 770 SOZO units sold worldwide in the Core Business and the signing of contracts to provide up to 375 SOZO under clinical trials in the Clinical Business as of 30 June 2021, the Group has a strong base-business from which SOZO license fee revenue will continue to be generated over the next twelve months. The Group ended the year with \$8.7 million in Annual Recurring Revenue from existing SOZO contracts, with a Churn Rate of just 1%, highlighting the staying power of the technology within hospital systems.

The growth observed during the 2021 financial year has shown that the adoption of our SaaS model is well placed with the constraints due to the COVID-19 pandemic. The Group's ability to remotely present, to conduct virtual demonstrations and train multiple staff members across their campuses, despite these constraints, ensured that the Group stayed connected with our customers.

The SOZO connected digital health platform gives the Group the ability to see patients being tested anywhere in the world in real-time. This provides the Group with a unique understanding of key markets and allows the Group to tailor our customer experience approach and better manage and reallocate our resources as we see testing decline or accelerate.

This rapid transformation, along with record levels of patient testing in the 2021 financial year and continued interest in our technology across multiple disciplines, puts the Group in a strong position to accelerate growth in the coming twelve months.

## Three Key Areas of Focus in FY2022

In addition to expanding the existing opportunities within the Group's growing customer base through its SaaS model, the Group is focused on three key areas of growth in the medical segment in the 2022 financial year.

- Oncology
- Heart Failure
- Renal Failure

### Oncology

Cancer and its treatments have a huge impact on the body that often affects the quality of life after the disease. There are 1.8 million new cases of cancer each year and over 15.5 million living cancer survivors in the US. There are more than 5.5 million US patients suffering from persistent cancer-related lymphoedema as a result of their cancer treatment, making up an annual addressable market of over \$2 billion.

Lymphoedema is a leading post-surgical complication for many cancer patients that greatly impacts quality of life and it is one of the most feared consequences of cancer survivorship. ImpediMed's L-Dex technology provides a simple and accurate measurement of fluid in limbs, which allows early detection and intervention. L-Dex is the only technology that can detect the onset of lymphoedema at a subclinical stage. If detected at this stage, the progression of lymphoedema can be prevented, and often reversed.

Data from the interim results of the PREVENT Trial, the largest randomised lymphoedema clinical study, has shown a 95% reduction in lymphoedema. Additionally, the Meta-analysis published in the second quarter of the 2021 financial year has shown the effectiveness ImpediMed's L-Dex measure utilising bioimpedance spectroscopy technology (BIS L-Dex) in reducing the relative subsequent incidence rates of chronic breast cancer-related lymphoedema (BCRL) by 81% when compared to circumference monitoring (tape measure) with a p-value of <0.001.

The Group expects to focus its US commercialisation efforts over the next twelve months on continuing to expand the Lymphoedema Prevention Program (LPP), which is aimed at transforming patient care through the prevention of cancer-related lymphoedema. The LPP is a complete solution for cancer-related lymphoedema prevention, incorporating 'best practices' from the growing number of top cancer centres currently utilising SOZO's L-Dex technology. The LPP's aim is to maximise patient outcomes and ensure that all patients are tested throughout the continuum of care.

The LPP is focused on helping cancer survivors take control of their survivorship with simple, early lymphoedema detection – before it becomes chronic. As part of the US campaign, cancer survivors will be armed with the slogan, "Lymphoedema can't ruin my survivorship, if I detect it early."

The Group has adopted the Land and Expand strategy to implement the LPP which consists of (1) Landing Accounts, (2) Expanding Testing, and then (3) Expanding Programs through the addition of new SOZO devices and/or licenses.

During the 2021 financial year, the Group saw strong growth with the LPP despite the impact of COVID-19. This includes the expansion of New South Wales Health to over 50 units and the expansion of Baylor, Scott & White to 35 SOZO units. The Group expects expansion to continue over the next twelve months, as the LPP also continues to drive optimised usage and adoption of the technology from clinicians, thus resulting in strong expansion within existing cancer centres.

The Group expects the PREVENT Trial manuscript to be published in the first quarter of the 2022 financial year. While the Group has not been made aware of the outcome of the trial or its conclusion, the Group believes it will be positive based on the interim analysis of the PREVENT Trial data and the Meta-analysis. The Group believes this paper will provide compelling Level 1 evidence to assist with enlisting further amendments to the NCCN Guidelines<sup>®</sup> and with submissions to insurers for private pay coverage.

The Group believes that Private Pay coverage and/or NCCN Guidelines that specify BIS and/or L-Dex will significantly accelerate the uptake of SOZO for Lymphoedema.

### **Heart Failure**

Heart Failure (HF) is a chronic, progressive and debilitating condition and it is among the most expensive diseases for the US health care system. HF is a global pandemic affecting at least 26 million people worldwide. In the United States, it is expected that one in five people over the age of 40 will develop heart failure. It is the most common cause of hospitalisation of people over 65 years of age, and about half the people who develop HF die within five years of diagnosis. The estimated annual cost of heart failure in the US is USD \$31 billion. Assessing and monitoring fluid status is critical to the management of HF patients, as a change in fluid status may signal the need to change patient management by appropriately altering medication levels and, as a result, the length of hospital stays and the number of readmissions may be significantly reduced.

The Group believes that SOZO can play a vital role in optimising outcomes for HF patient management, as the current methods are either inaccurate and rudimentary (weight scale) or invasive and/or expensive (implantable devices). SOZO is uniquely positioned to replace these current monitoring methods, as the device provides the precision and accuracy of implantables at a fraction of the cost of a scale.

During the 2021 financial year, the Group secured the first order for its SOZO Digital Health Platform to be used in the management of heart failure patients. Additionally, in April 2021, the US FDA 510(k) clearance for SOZO was expanded to include a heart failure index (HF-Dex) as a monitoring tool for patients living with heart failure.

Over the next twelve months, the Group expects to focus on (1) expanding commercial sales of heart failure through pilot programs in key heart failure centres, (2) utilising the pilot programs to demonstrate both the effectiveness of SOZO in Heart Failure and the economic model with reimbursement, (3) continuing to work with the FDA on obtaining clearance for removal of SOZO contraindications for implantable pacing and cardioverter defibrillators devices, and (4) the presentation of new Heart Failure data at key scientific meetings.

The Group believes that executing in these areas will provide a foundation for the adoption of SOZO in the heart failure space.

### **Renal Failure**

Nearly 750,000 patients per year in the U.S. and an estimated 2 million patients worldwide are affected by End Stage Renal Disease (ESRD). Those who live with ESRD are 1% of the US Medicare population but account for 7% of the Medicare budget, or approximately US\$35 billion.

While it is widely accepted that better fluid management could reduce mortality and morbidity in dialysis patients, current devices and techniques, including monitoring and tracking tools, for improving fluid management are either inadequate or unproven, leaving no practical way to consistently maintain optimal volume status. SOZO provides an accurate, non-invasive, objective way to determine and monitor fluid levels in these patients.

During the 2021 financial year, AstraZeneca selected SOZO to be used in two Phase II trials to measure and track fluid volume in patients with heart failure and chronic kidney disease. The agreements cover approximately 18 months and include 375 SOZO devices to be used at sites across 31 countries.

Through these AstraZeneca trials, the Group has been able to engage with cardiologists and nephrologists, who are now getting exposure to SOZO for the first time, in order to gather feedback from the early experience of these key users in the US and internationally.

The Group intends to leverage this feedback to further assist in formulating its clinical, regulatory and commercial strategies in relation to the Renal Failure market. The Group would expect to finalise and announce aspects of the strategy over the course of the 2022 financial year, including the recent announcement that SOZO received FDA Breakthrough Device Designation for a proposed indication in a renal patient population.

In addition, during the 2021 financial year, the Group commenced SOZO II development, with a focus on the Renal and Heart Failure markets.

# Significant Risks to the Business

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

## Framework

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 to determine whether there have been any changes in material business risks faced by the entity.

## Significant Risks

During the financial year, the Group identified the following risks as 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 (IP) portfolio
- The progress and/or outcome of clinical trials
- The adoption of the Group's technology
- The risk of not meeting continuous disclosure obligations
- The progress of new product and software development
- The risk related to product liability, privacy laws and cyber-security breaches
- The effective management of the Group's supply chain
- The effect of changes in laws, healthcare policy and other regulatory issues
- Brand and reputation risks
- Global economic risks: outbreak of a health pandemic

## Assessment

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 to allow the Group to plan, assess and execute its risk management 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.

### The Availability of Capital Resources

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 and/or find additional sources of financing, if needed. If ImpediMed is unable to obtain additional funds when required, the Group may be forced to delay, reduce the scope of, or eliminate one or more clinical trials, product and software development or commercialisation efforts.

### The Retention and Hiring of Key Personnel

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.

### The Strength of the Group's Intellectual Property (IP) Portfolio

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.

### The Progress and/or Outcome of Clinical Trials

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.



### The Adoption of the Group's Technology

In assessing the adoption of our technology, the Group is focused on developing a model for practice integration, in L-Dex, Heart Failure and future applications, for all existing and new accounts. This, together with acceptance of a Software as a Service (SaaS) subscription business model, 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.

In particular, ImpediMed is requesting inclusion of a formalised testing protocol and BIS technology for lymphoedema prevention in the NCCN Guidelines<sup>®</sup>. Whilst ImpediMed believes there is a compelling case for inclusion in the NCCN Guidelines and for private health insurers to make payments on future claims, there is no guarantee that this will occur.

The commercial success of ImpediMed's products is also substantially dependent on achieving acceptable payment levels to medical providers to support pricing strategies for L-Dex and additional indications and uses for SOZO. Whether acceptable third-party payments and reimbursement levels are available from government bodies, private health insurers and other third parties will be reliant on clinical data, industry guidelines and health economic arguments.

In addition to risks identified above, there is an additional risk that the impact of COVID-19 will cause delays in the review and/or determination of coverage for ImpediMed's technology.

### The Risk of Not Meeting Continuous Disclosure Obligations

In assessing continuous disclosure obligation risks, failure to disclose material information or to disclose incorrect information or correct information in an incorrect manner is a potential risk. The Group continuously monitors the business for material information required to be disclosed and conducts regular Management and Board meetings to discuss business progress and activities.

### The Progress of New Product and Software Development

In assessing the progress of new product and software development, the Group must assess the impact that investing in product and software development has on the business.

Developing software and technology, particularly in the medical sector, is expensive and often involves an extended period of time to achieve a return on investment. An important aspect of ImpediMed's business is to continue to invest in innovation and related product development opportunities. ImpediMed believes that it must continue to dedicate resources to ImpediMed's innovation efforts to develop ImpediMed's product offering and to maintain ImpediMed's competitive position. ImpediMed may not however, receive benefits from these investments for several years or may not receive benefits from these investments at all.

The Group also runs the risk of not meeting timelines or not making the right product that addresses customer and market needs. The Group follows a defined design control process and monitors projects to ensure that they are staffed correctly, while also conducting usability studies to determine customer and patient needs.

The Group must also assess the risk related to failing to achieve and maintain software products, which could result in recalls or withdrawals, product shortages, delays or failures in software delivery or other problems that could seriously harm ImpediMed's business.

### The Risk Related to Product Liability, Privacy Laws and Cyber-security Breaches

In assessing the risk related to product liability and cyber security, the Group conducts extensive safety and penetration testing of new and current technology and regularly reviews customer complaints through its quality procedures and system. The risk is present that ImpediMed's products could:

- 1) Cause harm or injury to users,
- 2) Be used off label,
- 3) Require a recall, or
- 4) Result in a breach to digital assets such as cyber security data.

ImpediMed relies on third party cloud computing and other information technology systems, especially for SOZO. Interruption, compromise to or failure of these systems may affect ImpediMed's ability to service its customers effectively. ImpediMed is vulnerable to data breaches by employees and others with both permitted and unauthorised access which poses a risk that sensitive data may be exposed to the public or be permanently lost. A breach in security of, or a significant disruption in, ImpediMed's information technology systems could adversely affect ImpediMed's operating results, financial condition, reputation and brand.

Privacy laws around the world continue to develop and impose greater burdens on businesses when dealing with personally identifiable information. The laws are designed to give greater protections to data owners, improve transparency and require businesses to develop better privacy practices and security processes. Failure to do so can result in pecuniary penalties, negative publicity, damage to brand and a requirement to improve processes and controls, each of which, if they were to happen, could adversely affect ImpediMed's operating results, financial condition, reputation and brand.

### The Effective Management of the Group's Supply Chain

In assessing the effective management of the Group's supply chain, the Group must assess the risk of not having enough product to meet demand due to product shortages or supply chain issues.

The Group manages the supply chain through sales and operation planning and sustaining engineering, as well as through long-term strategic product pipeline planning.

### The Effect of Changes in Laws, Healthcare Policy and Other Regulatory Issues

In assessing the effect of changes in laws, healthcare policy and other regulatory issues, the Group must assess the effect that unforeseen changes in laws and government policy could have in relation to material and unforeseen changes to:

- 1) Licensing and clearance requirements;
- 2) Regulations relating to clinical trials;
- 3) Manufacturing;
- 4) Product clearance; or
- 5) Pricing, including any tariffs and/or taxes.

Changes in laws healthcare policy and other regulatory issues could materially impact ImpediMed's operations, assets, contracts and profitability.

### Brand and Reputation Risks

In assessing brand and reputation risks, the Group must assess the adverse effect that reputation damage or negative publicity could have on ImpediMed or its products as it relates to the Group's customer relationships, general business and ultimately its financial performance.

As part of reviewing the brand and reputation risks for ImpediMed, the Group also considers the responsibility it has to ensure a work environment that has considered the impacts of environmental and social sustainability risks on the Group.

### Global Economic Risks:

#### Outbreak of Health Pandemic

ImpediMed's business could be adversely impacted by the effects of COVID-19 (more commonly referred to as coronavirus) or other pandemics, as there is uncertainty relating to the potential effect of COVID-19 on ImpediMed's business. Infections may become more widespread and should that limit ImpediMed's ability to sell products or cause supply disruptions it would have a negative impact on ImpediMed's business, financial condition and operating results. In addition, a significant health pandemic could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for ImpediMed's products which may then have an adverse effect on ImpediMed's business, operating results and financial condition.

ImpediMed's target customers and independent distributors may continue to implement heightened security policies which may inhibit ImpediMed's ability to access hospitals or clinics for the purposes of selling products and may cause delays of orders for products and negatively affect revenues.

There is an added risk that the diagnosis and treatment of other health conditions, such as lymphoedema, could be reduced and hospital staffing reallocated in response to the spread of COVID-19. There is uncertainty relating to the potential effect of COVID-19 on ImpediMed's business and ImpediMed's ability to sell products if there are supply disruptions, which may have a negative impact on ImpediMed's business, operating results and financial condition.

### Risk Management

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 to make decisions in the best interest of the Group.

## Indemnification and Insurance of Directors and Officers

The Group insured its Directors, Secretary and Executive Officers for the financial year ended 30 June 2021. 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 or Executive.

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.

## Share Options and Performance Rights

Details of movements during the year related to options and performance rights for key management personnel 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:

Unissued Ordinary Shares	25 Aug 2021	30 Jun 2021
EIP (Employee Incentive Plan) Options	53,220,862	53,428,362
ESOP (Employee Share Option Plan) Options	7,352,561	7,352,561
<b>Total Options</b>	<b>60,573,423</b>	<b>60,780,923</b>
EIP Performance Rights	25,927,845	26,082,845
<b>Total Performance Rights</b>	<b>25,927,845</b>	<b>26,082,845</b>
<b>Total Unissued Ordinary Shares</b>	<b>86,501,268</b>	<b>86,863,768</b>

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, nil ESOP options (2020: 25,534) and nil EIP options (2020: nil) were exercised. In addition, 1,402,750 performance rights (2020: 403,666) vested and were exercised under the EIP plan. Refer to Note 18 of the financial statements for further details of options exercised during the year.

During the financial year, nil ESOP options (2020: 631,050) and 1,410,500 EIP options (2020: 3,459,946) were forfeited; 1,067,078 ESOP options (2020: 1,788,907) and nil EIP options (2020: 169,771) expired. In addition, 242,500 performance rights (2020: 2,317,414) under the EIP plan were forfeited during the period. Refer to Note 18 of the financial statements for further details of options forfeited or expired during the year.

### Shares Issued to KMP as a Result of the Exercise of LTI Awards

During the financial year, KMP exercised nil options (2020: nil) and were issued 1,008,250 (2020: 303,666) fully paid ordinary shares in ImpediMed Limited at a weighted average exercise price of nil per share (2020: nil), in relation to Performance Rights that vested during the period.

# Environmental, Social and Governance (ESG) Reporting

ImpediMed's initiatives to incorporate environmental, social, and governance criteria into our operating framework reflect our commitment to our customers, patients, partners, shareholders, and employees and the communities in which we operate. At ImpediMed, we believe that a focus on ESG is a continuous process of aligning our operations and controls with our company values.

 <b>Environmental</b> Conservation of the natural world	 <b>Social</b> Consideration of people & relationships	 <b>Governance</b> Standards for running a company
<ul style="list-style-type: none"><li>- Climate change and carbon emissions</li><li>- Air and water pollution</li><li>- Biodiversity</li><li>- Deforestation</li><li>- Energy efficiency</li><li>- Waste management</li><li>- Water scarcity</li></ul>	<ul style="list-style-type: none"><li>- Customer satisfaction</li><li>- Data protection and privacy</li><li>- Gender and diversity</li><li>- Employee engagement</li><li>- Community relations</li><li>- Human rights</li><li>- Labor standards</li></ul>	<ul style="list-style-type: none"><li>- Board composition</li><li>- <a href="#">Audit committee</a> structure</li><li>- Bribery and corruption</li><li>- Executive compensation</li><li>- Lobbying</li><li>- Political contributions</li><li>- Whistleblower schemes</li></ul>

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

## Environmental Regulations and Performance

The Group's activities are subject to licenses 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.

## Diversity and Inclusion

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

The Board has the role of reviewing and updating this policy, overseeing its implementation, 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 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 that assist the Group in 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).

At ImpediMed, we have created an inclusive workplace that promotes and values diversity in age, gender identity, race, sexual orientation, physical or mental ability, ethnicity, and perspective. ImpediMed strives for excellence and our team can do its best work when our environment is inclusive, diverse and values all regardless of who they are and where they've been.

At ImpediMed, our policies are in place to prevent discrimination against our people regardless of gender identity or expression, sexual orientation, religion, ethnicity, age, race, disability status, citizenship, or any other aspect which makes them unique. ImpediMed wants all employees to feel valued, appreciated, and free to be who they are at work.

## 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.

### Employees

As at 30 June 2021, ImpediMed and its subsidiaries had a total of 73 full and part-time employees (30 June 2020: 69 employees).

Details of the number of management level females of the Group as of:

Level	30 June 21		30 June 20	
	Female	Total	Female	Total
Board of Directors	1	7	1	7
Executives	2	9	2	9
Senior Managers	6	13	5	11

### Corporate Governance

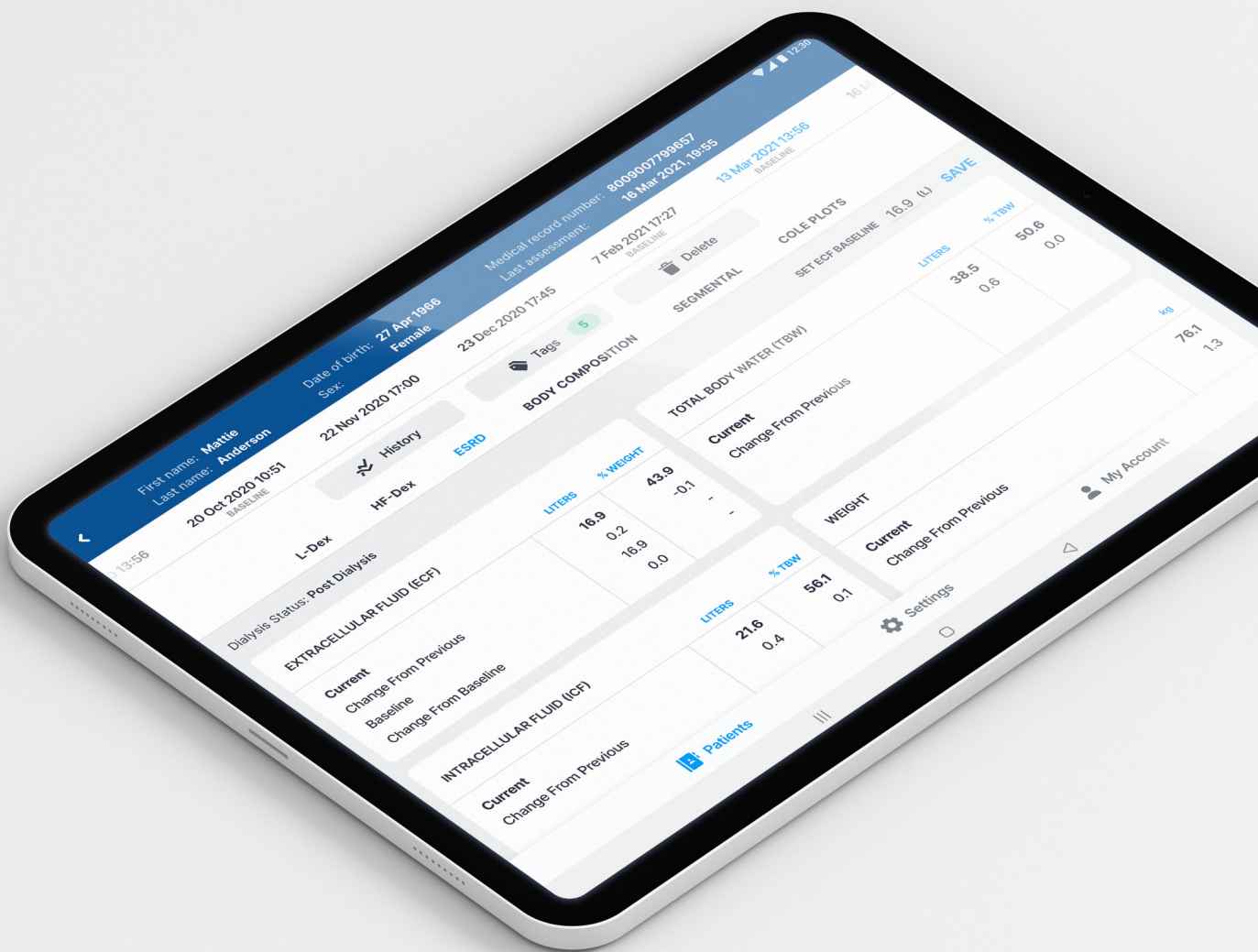
ImpediMed's Corporate Governance Statement (Statement) was approved by the Board on 24 August 2021 and can be found at <https://investors.impedimed.com/about/corporate-governance/>.

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

4G.

# REMUNERATION REPORT

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# Remuneration Report (Audited)

This Remuneration Report outlines the remuneration arrangements for the Key Management Personnel (KMP) of the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its Regulations. The report is structured into the following sections:

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Definitions	
<b>Key Management Personnel (KMP)</b>	Persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Group. KMP of the Group consists of <b>Non-Executive Directors (NEDs)</b> , <b>Executive Directors (EDs)</b> , and certain <b>Executives</b> .
<b>Non-Executive Directors (NED)</b>	Directors of the Group that are not acting in an executive capacity.
<b>Executive Director</b>	Is a Director of the Group that is also acting in an executive capacity. The <b>Managing Director and CEO (MD/CEO)</b> of the Group is considered an Officer of the Group and an Executive Director.
<b>Executive KMP or Executives</b>	Individuals defined as KMP that are Officers of the Group and not Non-Executive Directors of the Group.

## Key Management Personnel

For the purposes of this report, the KMP of the Group are those persons defined as 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	
Scott Ward	Chairman and Non-executive Director
David Anderson	Non-executive Director
Judith Downes	Non-executive Director
Robert Graham	Non-executive Director
Amit Patel	Non-executive Director
Donald Williams	Non-executive Director
Richard Carreon	Managing Director and Chief Executive Officer
Executives (i)	
Timothy Cruickshank	Chief Financial Officer (appointed August 2020)
Shashi Tripathi	Chief Technology Officer
David Adams	Senior Vice President Operations and Strategic Planning
Catherine Kingsford	Senior Vice President Medical Affairs
Dennis Schlaht	Senior Vice President R&D and Technology

(i) Frank Vicini, Mike Bassett and Nancy Deisinger are also Executives of the Group, but are not considered KMP for the purposes of this report.



*"In spite of the tremendous global pandemic challenges faced during the year, the Company made significant achievements in growing the business and achieving critical milestones."*

## SECTION 1 Introduction by the Chair of the Remuneration Committee

Dear Shareholders,

On behalf of the Board, I present ImpediMed's Remuneration Report for the year ended 30 June 2021 which has been approved by both the Remuneration Committee (the Committee) and the Board.

### **FY21 – in review**

During the reporting year 2021, the world, our business, our employees and the patients we service continued to be highly impacted by the COVID-19 pandemic. Nearly all of our people globally worked from home, demonstrating great dedication to the business, addressing varying needs of their families and children, showing their agility and resilience. Throughout this, and in spite of the tremendous global pandemic challenges faced during the year, the Company made significant advancements in growing the business and achieving critical milestones. We attribute this success to our technology and SaaS business model, but as importantly to the strong culture that has been in place at ImpediMed with its focus being on our people, their wellbeing, our customers, stakeholders and ultimately the patients we are impacting.

Despite the challenges of the COVID-19 global pandemic, the Group ended the year with over 770 SOZO units sold since launch, resulting in SOZO revenue growth of 64%. In addition, the Group grew Contracted Revenue Pipeline by 33%, led by contract signings valued at over \$12 million during the year. The Group also made significant progress in Heart Failure and Renal Failure. Heart Failure progress was highlighted by the recent release of the fluid analysis for heart failure (HF-Dex™) software for the SOZO® Digital Health Platform, as well as numerous abstracts and posters. Renal Failure progress was highlighted by validation of the Group's technology. The Group also entered into two AstraZeneca contracts focused on fluid volume in patients with heart failure and chronic kidney disease.

### **FY21 – response to COVID-19**

In the early months of COVID-19, as the world collectively faced so much uncertainty, the Remuneration Committee enacted a number of temporary measures as the Group monitored the COVID-19 situation and potential impacts on the business.

As part of these measures, the MD/CEO agreed to a temporary 30% reduction in base salary. This was in addition to a 20% reduction in cash base salary which was received as equity in lieu of cash under the Executive Share Plan, resulting in a 35% total reduction in total fixed cash remuneration over the course of the twelve-month reporting period.

Refer to SECTION 3 - Cash-based Considerations during COVID-19 for additional details on the MD/CEO Remuneration for FY21.

In addition to the temporary reduction measures to MD/CEO Remuneration, other Executives and the NEDs also agreed to temporary reductions.

Other Executives agreed to a temporary 10% reduction in base salary as of 1 April 2020. This was in addition to a 20% reduction in cash base salary which is received as equity in lieu of cash under the Executive Share Plan, resulting in a 25% reduction in total fixed cash remuneration over the course of the twelve-month reporting period.

The Non-executive Directors (NEDs) agreed to continue a 25% reduction in their fees for the first six-months of the financial year. In addition, the NEDs received 100% of the remaining fees as equity under the NED Share Plan.

### **FY21 – performance-based pay**

During the reporting year, the Remuneration Committee continued to focus on performance-based remuneration with significant weighting of performance-based equity grants. In financial period 2021, 71% of MD/CEO total remuneration was performance based.

### **FY22 – looking forward**

The Board, supported by the Committee, is committed to good governance in remuneration and to ensuring that the Group's policies and practices are fair, competitive and responsible. The Committee continuously works to balance Australian corporate governance and remuneration best practices with the business's need to provide remuneration that will attract, retain and motivate key US-based executive talent in a highly competitive market.

The Board is also committed to open dialogue with shareholders and ensuring transparent communication of remuneration arrangements.

We look forward to the year ahead and are grateful for your continued support.

Don Williams, Non-Executive Director  
Chair, Remuneration Committee



## SECTION 2

### Remuneration Philosophy and Strategy

The Remuneration Committee reviews the Group's remuneration philosophy and strategy and makes recommendations to the Board regarding the remuneration arrangements for Executive KMP. ImpediMed's remuneration philosophy and strategy are designed to attract, motivate and retain executives of the required calibre by identifying and rewarding high performers and recognising the contribution of each Executive to the continued growth and success of the Group.

ImpediMed is a high-growth business founded on innovation, providing highly advanced technologies and delivering data-driven solutions that provide individualised, proactive care to help improve patient outcomes. Most of the Company's critical roles are based in the US, where there is a fiercely competitive medical technology market, including in cloud-based computing, software development and technical/clinical sales.

The remuneration philosophy at ImpediMed targets fixed remuneration at the median of external comparators and, for exceptional performance, targets variable remuneration above the median. To determine executive remuneration, the Remuneration Committee benchmarks against medical device and technology companies within a third-party global survey considering Australia and United States market data, to ensure that policy objectives are met and are in line with good corporate practices for a company of ImpediMed's size and industry. The committee obtained comprehensive analyses by third party consultants in 2021 to benchmark executive remuneration against companies of similar size, industry and complexity.

Other factors the Remuneration Committee may consider when setting remuneration include internal equity, individual performance, tenure, leadership skills and ability to impact Group performance. In addition, while recruiting and retaining key executive talent, remuneration decisions may be determined based on negotiations with such individuals and can reflect such factors as the amount of remuneration 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, remuneration philosophy and interests of shareholders
- Offer an attractive and competitive mix of remuneration benchmarked against applicable markets
- Provide strong linkage between individual and Group performance and rewards
- Offer remuneration based on internal comparison with other employees and matching the role requirements with the skills, experience and responsibilities of individual executives.
- Support the corporate mission statement, values and policies through recruiting, organising and managing high achieving individuals committed to the Group's success

While continuing to pursue this remuneration strategy, the Remuneration Committee and Board vary arrangements as needed to meet immediate priorities.

#### Performance-based Remuneration

The Remuneration Committee is committed to executive and shareholder alignment, and this is achieved via a remuneration philosophy with a significant performance-based orientation. As part of this process, the Remuneration Committee considers both internal and external factors that may impact the Company, namely the:

- Financial and operational performance for the reporting period,
- Stock price performance for the reporting period, and
- Continuing potential impacts from the COVID-19 pandemic.

Adhering to its pay-for-performance philosophy, and commitment to executive and shareholder alignment, a significant weighting was placed on incentives tied to performance metrics during the reporting period.

## SECTION 3

### Company Performance and Remuneration Outcomes

ImpediMed's remuneration framework is aimed at rewarding executives and employees for the achievement of growth in the business, the achievement of corporate milestones, and the creation of shareholder value in the short, medium and long-term.

The 2020 and 2021 years will be remembered for the COVID-19 pandemic and its effects on society, economy, business and the lives of ordinary people world-wide. Despite this ongoing global pandemic and without any commercial insurance coverage policies for reimbursement in the lymphedema business, the Group delivered strong growth throughout the 2021 financial year. SOZO Revenue grew by 64% Year-over-Year, while Annual Recurring Revenue grew by 67%. The Group signed SOZO contracts valued at over \$12.3 million during the financial year, with the majority of this revenue to be recognised over three years. In addition, the Group achieved a number of key milestones, including the signing of two large contracts with AstraZeneca and the release of the Meta-Analysis proving BIS L-Dex is statistically significant.

The table below provides quantitative performance indicators and non-quantitative milestones of the Company between 2020 and 2021, with comparative short-term and long-term incentive outcomes.

Performance History	2021	2020	Increase \$	Increase %
<b>Operational Metrics</b>				
SOZO Revenue (\$000)	7,639	4,656	2,983	64% ↑
Total Revenue (\$000)	8,409	5,741	2,668	46% ↑
Gross Margin (\$000)	6,807	4,063	2,744	68% ↑
<b>SaaS Metrics (i)</b>				
Annual Recurring Revenue (\$millions)	8.7	5.2	3.5	67% ↑
Contract Value Signed (\$millions)	12.3	6.8	5.5	81% ↑
<b>Returns</b>				
Share price as at 30 June (\$)	0.105	0.062	0.043	69% ↑
Market Capitalisation (\$millions)	156.6	62.1	94.5	152% ↑

#### Corporate Milestones

- AstraZeneca Selects SOZO for two Heart Failure and Renal Trials
- Meta-Analysis proves BIS L-Dex Statistically Significant
- PREVENT Trial Finishes; Final Patient Completes Follow-up
- PREVENT Manuscript Submitted for Peer Review at the End of February 2021
- FDA Clearance for SOZO Heart Failure Index
- Landmark Radiation Manuscript Supports L-Dex Use
- Release of Software Version 4.0

Short-term Incentive (STI) Outcomes	2021	2020
MD/CEO	178.2%	21.8%
Other Executives	137.6%	21.8%
<b>Long-term Incentive (LTI) Outcomes</b>		
	2021 (ii)	2020 (iii)
MD/CEO	N/A	50.0%
Other Executives	50.0%	50.0%

(i) SaaS Metrics are unaudited, non-AASB financial metrics that do not represent revenue in accordance with Australian Accounting Standards.

(ii) FY21 LTI Outcomes relate to the outcome of three-year Performance Hurdles for LTI grants made in FY19. In FY19, the MD/CEO and other Executives did not receive an LTI grant, as only new hires to the Group received an LTI grant in FY19.

(iii) FY20 LTI Outcomes relate to the outcome of three-year Performance Hurdles for LTI grants made in FY18.

## Cash-based Considerations during COVID-19

During the 2021 financial year, the Remuneration Committee enacted several measures in response to uncertainty surrounding the impact of COVID-19 on the business. While these measures, at times, varied from the Group's standard remuneration practices, they served two key purposes:

Remuneration considerations in FY21		
Objective	Measure Enacted	Period of Coverage during the Financial Year
(1) To further align the interests of executives with shareholders and to reinforce the Group's pay-for-performance philosophy.	Reduction in cash base salary, received as equity in lieu of cash under the Share Plans (i).	1 July 2020 - 30 June 2021
(2) To conserve cash during uncertain times caused by the COVID-19 pandemic.	Temporary reduction to Executive base salary and NED fees.	1 July 2020 - 31 December 2020

- (i) Equity earned under the Share Plans is at-risk compensation, as the calculation for the number of shares to be issued for a performance period is subject to fluctuations in the share price over the 20-days prior to the issuance of the shares.

## MD/CEO Remuneration

With considerations to potential ongoing impacts on the business due to the COVID-19 pandemic and to assist with the Group's cash management, the Remuneration Committee made the decision to not increase MD/CEO fixed remuneration during the financial year and the MD/CEO agreed to continue a 30% temporary reduction in remuneration for one half of the fiscal year ended 30 June 2021 (a total of 9 months from 1 April 2020). Additionally, the Remuneration Committee continued the program that was effective July 2019, in which 20% of the MD/CEO base salary was taken as stock in lieu of cash, resulting in a 35% reduction to total targeted fixed cash remuneration for the reporting period and 51% reduction in cash-based remuneration compared to the prior year:

MD/CEO Targeted Fixed Cash Remuneration (USD)	Base Salary	30% Temporary Reduction for 6 months	20% as Stock in Lieu of Cash	Cash-based Salary
<b>2021</b>	<b>516,334</b>	<b>(77,450)</b>	<b>(103,267)</b>	<b>335,617</b>
Target	516,334	-	-	516,334

**Reduction to MD/CEO Total Targeted Fixed Cash Remuneration: -35%**

MD/CEO Cash-based Remuneration (USD)	Short-term benefits		Post employment	Total Cash Remuneration paid FY21
	Cash-based Salary	STI Awards (i)	Super / 401(k) Match	
<b>2021</b>	<b>335,617</b>	<b>78,793</b>	<b>16,362</b>	<b>430,772</b>
2020	374,342	485,297	12,048	871,687

**Reduction to MD/CEO Cash-based Remuneration in 2021: -51%**

- (i) The 2021 STI Award relates to the amount paid in the 2021 financial year. This award was for the 2020 STI performance period, in which the MD/CEO achieved 21.8% of a maximum 200% STI target. The 2020 STI Award relates to the amount paid in the 2020 financial year. This award was for the 2019 STI performance period, in which the MD/CEO achieved 134.3% of a maximum 200% STI target.

This resulted in a fixed base cash salary of USD \$335,617, reduced from Mr Carreon's USD \$516,334 salary (2020: USD \$361,434 reduced from USD \$516,334), plus non-monetary health benefits.

Mr Carreon's Short-term Incentive (STI) performance conditions and outcomes have been detailed in SECTION 7.

During the year ended 30 June 2021, the Board issued 6,159,000 Options (2020: 1,992,612) at an exercise price of \$0.084 per option and 7,400,000 Performance Rights (2020: 1,962,871) to Mr Carreon under the EIP.

The Options and Performance Rights were approved by shareholders at the 2020 AGM and subsequently granted on 28 October 2020.

The Options granted to Mr Carreon consisted of a mix of incentive stock options (ISO) and non-statutory stock options (NSO). Subject in all cases to continuous employment with the Group, the Options will vest over a four-year period, with one-quarter of the number of total options granted vesting annually, on each one-year anniversary of the date of grant. Additionally, if in the opinion of the Board a Change of Control has occurred or is likely to occur, the Board may declare an Option to be free of any Vesting Conditions as detailed in Rule 5.3(b) of the Plan.

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

The Performance Rights granted to Mr Carreon were issued for nil consideration, subject to performance hurdles, when the closing price of a share on ASX on the date of grant was \$0.084. Subject in all cases to continuous employment with the Group, the Performance Rights will vest on the third anniversary of the date of grant to the extent that relevant performance hurdles are satisfied. The extent to which a performance condition is satisfied will be determined by the Remuneration Committee with a recommendation to the Board, whose decision is final and binding on the Participant. The Remuneration Committee may determine that a performance condition has been satisfied at or between "minimum" and "maximum", in which case the percentage of performance rights that vest will be determined by the Remuneration Committee. If any performance rights do not vest (as determined by the Remuneration Committee), those performance rights will lapse.

All Performance Rights that have not vested shall automatically lapse and be forfeited without consideration, upon cessation of Mr Carreon's employment with the Group unless otherwise determined by the Board.

The Board may declare that some, none, or all outstanding unvested Performance Rights are free of Performance Conditions and may vest on an accelerated basis immediately before a Change of Control Event. Without limiting the Board's discretion, the Board may have regard to the degree to which the relevant Performance Conditions have been achieved prior to the Change of Control Event.

If the Participant ceases employment with the Company or any Group entity, 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 Board may, at its discretion, determine that the Performance Rights will vest (on the third anniversary of the Date of Grant) on the same basis as if the Participant was still employed by the Company or another Group entity.

### Other Executive KMP Remuneration

The majority of the Group's Executive 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 Australian practice.

As described in SECTION 2, 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 references benchmarking data from companies within a third-party global survey with regard to industry and size, as well as input from independent remuneration consultants.

Similar to the MD/CEO, other Executive KMP continued a temporary reduction in fixed cash remuneration for one half of the fiscal year ended 30 June 2021 (a total of 9 months from 1 April 2020) while monitoring the impact of COVID-19 on the business. This reduction was in addition to the program which was effective July 2019 where cash base salary was reduced by up to 20% stock in lieu of cash, resulting in a 25% reduction in total fixed cash remuneration for the reporting period.

## NED Remuneration

The Remuneration Committee considers the level of remuneration required to attract and retain highly qualified Non-Executive Directors with the necessary skills and experience for the Group's Board. This remuneration is reviewed periodically with regard to market practice and NED duties, responsibilities and accountability. In addition, the Remuneration Committee works to ensure that NED remuneration is attractive in both Australia and the US (NED membership is currently 67% US and 33% Australian).

NED fees are determined within an aggregate Directors' fee pool, approved by shareholders at the annual general meeting (AGM). The maximum aggregate remuneration approved in 2015 was \$800,000. The sum of NED fees paid in the reporting year was \$523,417 (2020: \$598,441), which consisted of \$11,845 for superannuation and \$511,572 in shares issued in lieu of cash. Table 7.1 shows individual Director fees paid during the year ended 30 June 2021.

For the 2021 financial year, NEDs agreed to continue a 25% reduction in their fees for the first six-months of the financial year (a total of 9 months from 1 April 2020). In addition, the NEDs received 100% of the remaining fees as equity under the NED Share Plan. These efforts increased the alignment of the NED remuneration with shareholders' interests, as well as assisted the company in managing its available cash resources.

As a result of the NED Share Plan and additional share purchases by NEDs during the year, NEDs now have approximately a 1% ownership interest in the Company.

## Summary

In summary, the Remuneration Committee made the following key compensation decisions for MD/CEO, Executive KMP and NED:

- No base salary increase and a six (6) month temporary reduction in base salary remuneration of 30% for the MD/CEO.
- A temporary reduction in base salary remuneration of 10% for other Executives.
- Continuance of Executive Share Plan where CEO and other KMP cash-based salary was reduced by 20% stock in lieu of cash.
- Continuance of NED Share Plan where 100% of cash fees were foregone and received in the form of market value shares to an equivalent amount, in addition to a 6-month temporary reduction of 25% of NED fees.
- Annual STI awards made pursuant to our formulaic annual bonus program design (discussed further under "Short-Term Incentives") in order to more closely and objectively align annual awards to our business performance.
- Continuation of our long-term incentive program (discussed further under "Long-Term Incentives") which include Performance Rights tied to total shareholder return ("TSR") to strengthen the link between the remuneration with the return of our shareholders.

## SECTION 4

### Key Developments Expected for Financial Year 2022

#### Benchmarking

For the 2021 financial year, in response to uncertainty surrounding the impact of COVID-19 on the business, the Remuneration Committee deviated from the standard practice of external benchmarking. For the 2022 financial year, though, the Remuneration Committee obtained a comprehensive analysis of Executive and NED remuneration from its third-party consultants, Aon. The benchmarking measured the external market with regard to industry, size, scope and complexity, for companies that operate in similar or related businesses to the Group and that may compete with the Group for key talent.

#### Executive Remuneration

The review conducted by Aon for the reporting period ended 30 June 2021 indicated that Total Fixed Cash Remuneration paid to the MD/CEO and Executive KMP was significantly under the market median and the variable component was well under the market median.

Based on the Group's significant achievements during the year and in order to realign remuneration with external compensation levels and economic developments (e.g. inflation), the Group will review the benchmarking data to determine what adjustments to remuneration are necessary for the MD/CEO and other Executives in the 2022 financial year.

The Group will look to continue the Executive Share Plan ("ESP") in order to allow Executives to exchange up to 20% of cash base salary with equity grants, in the form of market value shares. The ESP equity remuneration would be treated as part of fixed remuneration. This program increases the alignment of Executives and shareholders, while also allowing the Group to manage its available cash resources. In addition, the program assists Executives in achieving their respective minimum shareholding requirements, as Executives are required to attain ownership over time equal to the value of their annual base salary after tax.

## Board (NED) Remuneration

The review conducted by Aon also included an external benchmarking analysis of NED remuneration. The review took into consideration market competitiveness against both the US and Australian medical technology companies of similar size and indicated NED fees were significantly under the market median. Having regard to the potential ongoing impact of COVID-19, the Board decided to defer any increase in NED fees in the 2021 financial year but will again review fees in the 2022 financial year.

The remuneration structure among US medical technology companies typically includes a significantly weighted equity component for board members. With a majority of the ImpediMed Board being US based, the Board looks to continue the use of the Non-Executive Director Share Plan to allow equity remuneration in lieu of cash with a mix of 60% equity and 40% cash for NEDs for financial year 2022. The use of equity remuneration increases the alignment of NEDs and shareholders, while also allowing the Group to manage its available cash resources. In addition, the use of equity remuneration will also help to retain and attract NEDs that have the specific background and experience required by the Group in the highly competitive US healthcare industry.

## SECTION 5

### Remuneration Governance

#### 5.1 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 the Non-Executive Directors (NED), Executive Directors (ED), the Managing Director and Chief Executive Officer (MD/CEO) and Executives reporting to the MD/CEO.

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

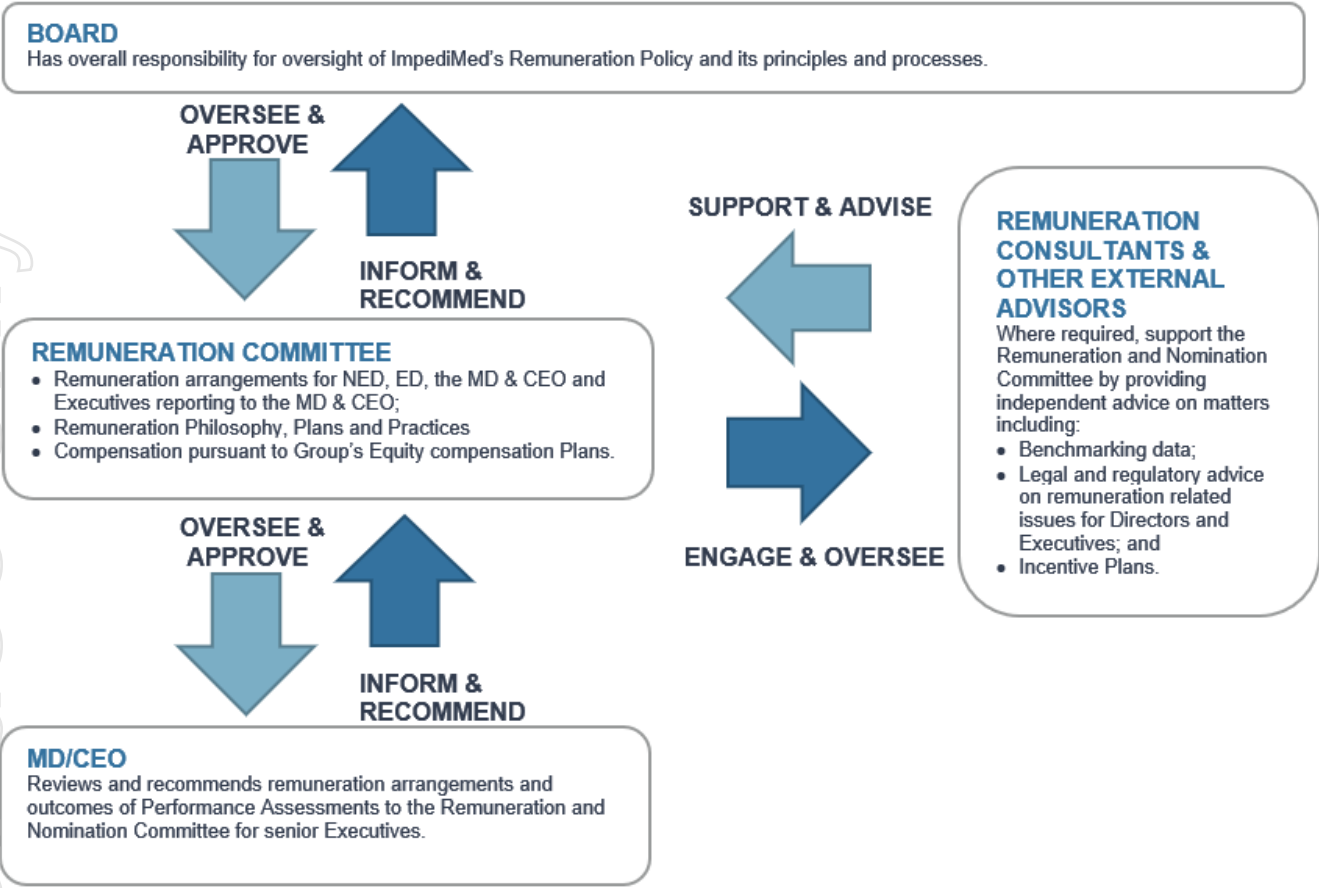
As of the date of this report, the Remuneration Committee comprises the following Non-Executive Directors, all of whom are independent:

- Donald Williams (Chair)
- David Anderson
- Robert Graham

#### 5.2 Services from Remuneration Consultants

Under the provisions of the Committee's Charter, the Committee may engage the assistance and advice from external remuneration advisors. To ensure that any recommendations made by remuneration consultants are provided without undue influence being exerted by Executives, external remuneration consultants deliver their advice directly to members of the Committee. In the year ended 30 June 2021, Aon Radford ("Aon") remuneration consultants provided support and counsel to the Remuneration Committee of a nature relating to executive remuneration within Australia and US frameworks. The work undertaken by Aon in the year ended 30 June 2021 did not constitute a remuneration recommendation for the purposes of the Corporations Act 2001. The remuneration consultants were paid \$39,000 for their work.

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## SECTION 6

### Remuneration Framework and Additional Outcomes

For the year ended 30 June 2021, the remuneration structure for Executive KMP and other select employees consisted of the following elements:

Component	Performance Measure	Strategic Objectives and Link to Performance
<p><b>FIXED REMUNERATION:</b></p> <p>Base salary, superannuation, employee health benefits and any salary sacrificed benefits.</p>	<p>The fixed remuneration (i) is generally not performance related. It is set having regard for:</p> <ul style="list-style-type: none"> <li>- Experience and qualifications of the individual</li> <li>- Responsibilities and criticality of role</li> <li>- Remuneration paid to similar roles as benchmarked against surveyed companies with regard to industry and size</li> </ul> <p>(i) During the reporting period, Executives received a portion of fixed remuneration as equity in lieu of cash pursuant to the Executive Share Plan.</p>	<ul style="list-style-type: none"> <li>- Offer an attractive mix of remuneration benchmarked against the applicable market-region and country practices</li> </ul>
<p><b>SHORT-TERM INCENTIVE (STI):</b></p> <p>Cash-based incentive (i) awarded for the achievement of ImpediMed's Operating Plan objectives measured over a one-year performance period.</p> <p>(i) During the reporting period, certain Executives received a portion of STIs as equity in lieu of cash pursuant to the Executive Share Plan.</p>	<p>Financial KPIs (100%):</p> <ul style="list-style-type: none"> <li>- Total Revenue</li> <li>- Annual Recurring Revenue (ARR) (ii)</li> <li>- Cash Flow</li> </ul>	<ul style="list-style-type: none"> <li>- Align remuneration with the Group's business strategy</li> <li>- Align the interests of executives and shareholders and share the success of the Group with the employees</li> <li>- Provide strong linkage between individual and Group performance and rewards</li> </ul>
<p><b>LONG-TERM INCENTIVE (LTI):</b></p> <p>Equity-based incentive, comprising a mix of Options and Performance Rights for Group Performance over the long-term.</p>	<ul style="list-style-type: none"> <li>- Time-based (50%): Options vest subject to the participant remaining in employment with ImpediMed over a four (4) year period.</li> <li>- Performance-based (50%): Performance Rights vest subject to achieving two (2) equally weighted hurdles over a three (3) year period: <ul style="list-style-type: none"> <li>- Contracted Revenue Pipeline (CRP) (ii) at 30 June 2023</li> <li>- Total Shareholder Return (TSR 3-Year)</li> </ul> </li> </ul> <p>(ii) ARR and CRP are an unaudited, non-AASB financial metrics that do not represent revenue in accordance with Australian Accounting Standards. Refer to the Directors' Report for a glossary of non-AASB financial terms used by the Group.</p>	<ul style="list-style-type: none"> <li>- To attract and retain the key talent needed to deliver on our corporate objectives and strategic plan</li> </ul>



## Total Fixed Remuneration

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

TFR is not automatically increased but is typically reviewed annually, to ensure it remains competitive.

TFR for Executives takes into consideration benchmarking data from other companies with regard to industry and size. In addition to reviewing benchmarking survey data, when setting fixed remuneration for any given role, the Remuneration Committee has regard to the experience, qualifications and skill set of the individual, as well as the responsibilities and criticality of the role.

In year ended 30 June 2021, MD/CEO and other executives took a temporary reduction in base salary and an additional portion of base salary in equity in lieu of cash in order to (i) further align the interests of executives with shareholders and (ii) conserve cash during uncertain times caused by the COVID-19 pandemic.

## Short-Term Incentive (STI)

The STI plan is a cash-based incentive that is awarded based on annual performance. In the year ended 30 June 2021, the STI Plan focused on both Group and Individual performance. The remuneration philosophy at ImpediMed targets variable remuneration 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 year ended 30 June 2021 are outlined below:

<b>Participants</b>	Executive KMP and other selected employees														
<b>Award Type</b>	Cash														
<b>Opportunity</b>	<p>The percentage of the target STI opportunity for the year ended 30 June 2021 has been expressed as a percentage of base salary in the table below:</p> <table border="1"> <thead> <tr> <th>KMP</th> <th>Target STI %</th> </tr> </thead> <tbody> <tr> <td>MD/CEO</td> <td>70%</td> </tr> <tr> <td>CFO</td> <td>40%</td> </tr> <tr> <td>CTO</td> <td>40%</td> </tr> <tr> <td>SVP Operations and Strategic Planning</td> <td>40%</td> </tr> <tr> <td>SVP Medical Affairs</td> <td>40%</td> </tr> <tr> <td>SVP R&amp;D and Technology</td> <td>40%</td> </tr> </tbody> </table> <p>Actual STI payments awarded depend on the extent to which specific key performance indicator (KPI) targets are achieved, as follows:</p> <ul style="list-style-type: none"> <li>- Threshold performance – 50% of target opportunity</li> <li>- At target performance – 100% of target opportunity</li> <li>- Maximum performance – 150% of target opportunity for Executives; 200% of target opportunity for MD/CEO</li> </ul> <p>Threshold performance is the minimum level of performance required to earn any STI.</p> <p>Targets are set with a level of 'stretch' built-in, and therefore, maximum performance for any STI is only achieved in respect of exceptional performance.</p>	KMP	Target STI %	MD/CEO	70%	CFO	40%	CTO	40%	SVP Operations and Strategic Planning	40%	SVP Medical Affairs	40%	SVP R&D and Technology	40%
KMP	Target STI %														
MD/CEO	70%														
CFO	40%														
CTO	40%														
SVP Operations and Strategic Planning	40%														
SVP Medical Affairs	40%														
SVP R&D and Technology	40%														
<b>Performance Period</b>	The performance period is the 12-month financial year.														
<b>Performance Conditions</b>	<p>For the year ended 30 June 2021, the KPIs for KMP were 100% financial goals.</p> <p>Additional detail is provided below.</p>														

## STI Performance Conditions and Outcomes

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

For the year ended 30 June 2021, all Executive KMP had common KPIs.

KPI	Key Achievements & KPI Outcomes
<b>Financial Goals: 100%</b> Key financial goals that are directly tied to performance results, leading indicators of long-term growth and management of a set operating plan.	<b>KPI Assessment: Between At Plan and Maximum</b> Achieved 137.6% of the 100% target performance ( <b>MD/CEO: 178.2% achievement</b> ) for the various objectives.
Revenue: Revenue growth reflects increased marketplace adoption that has already occurred.	Revenue increased 47% to \$8.4M (2020: \$5.7M); SOZO Revenue increased 64%.
Annual Recurring Revenue (ARR): ARR is a leading indicator of revenue growth.	ARR increased 67% to \$8.7M (2020: \$5.2M); \$12.3M in contract value signed during year.
Cash Flow: Narrowing of loss shows progress towards profitability.	Net Operating Cash Outflow decreased 31% to \$(13.3)M [2020: \$(19.2)M].

## STI Outcomes

US-based Executives are paid in USD. Listed below are their AUD equivalents.

KMP	Target STI Opportunity AUD (i)	STI Outcomes AUD (ii)	% Achieved (iii)
<b>R Carreon</b> MD/CEO	483,990	862,470	178.2%
<b>T Cruickshank</b> CFO	171,403	235,850	137.6%
<b>S Tripathi</b> CTO	169,367	233,049	137.6%
<b>D Adams</b> SVP Operations and Strategic Planning	171,195	235,563	137.6%
<b>C Kingsford</b> SVP Medical Affairs	137,140	188,705	137.6%
<b>D Schlaht</b> (iv) SVP R&D and Technology	162,814	224,032	137.6%

(i) The Target STI Opportunity displayed in the above table is calculated based on the average exchange rate for the year for US-based KMP.

(ii) Certain Executive KMP have elected to receive 20% of their STI award as shares in lieu of cash under the Equity Share Plan.

(iii) The MD/CEO outcome is based on 200% maximum performance; remaining KMP are based on 150% maximum performance.

(iv) D Schlaht received an additional incentive during the financial year related to sales activities. Refer to table 7.1 for details.

## Long-Term Incentive (LTI)

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

The key features of the LTI plan are outlined below:

<b>Participants</b>	Executives, and other selected employees and consultants, at the discretion of the Board.																					
<b>Award Type</b>	<p>In order to balance the objectives of US and Australian remuneration practices, IPD's LTI grant policy balances the objectives and marketplace practices in the US and Australia. Options are typically granted subject to time-based vesting (as is common in the US) and do not deliver any value in the absence of share-price appreciation. To align with Australian practices, over time IPD has increased the weighting on performance-based rights in the LTI portfolio.</p> <p>In the year ended 30 June 2021, awards issued under the Employee Incentive Plan (EIP) were issued with a mix of 50% Options and 50% Performance Rights.</p> <p>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.</p> <p>Each Performance Right is subject to achieving LTI Hurdles.</p>																					
<b>Opportunity</b>	<p>The value of the LTI awards made for the years ended 30 June 2021 and 2020 have been expressed as a percentage of TFR in the table below:</p> <table border="1"> <thead> <tr> <th>KMP</th> <th>2021 LTI Opportunity</th> <th>2020 LTI Opportunity</th> </tr> </thead> <tbody> <tr> <td>MD/CEO</td> <td>49%</td> <td>18%</td> </tr> <tr> <td>CFO</td> <td>19%</td> <td>N/A</td> </tr> <tr> <td>CTO</td> <td>16%</td> <td>7%</td> </tr> <tr> <td>SVP Operations and Strategic Planning</td> <td>17%</td> <td>6%</td> </tr> <tr> <td>SVP Medical Affairs</td> <td>17%</td> <td>7%</td> </tr> <tr> <td>SVP R&amp;D and Technology</td> <td>16%</td> <td>6%</td> </tr> </tbody> </table> <p>Performance conditions are typically equally weighted with:</p> <ul style="list-style-type: none"> <li>• Minimum Threshold - 50% of "Plan"</li> <li>• Plan - 100% of "Plan"</li> <li>• Maximum - 150% of "Plan" / MD/CEO 200% of "Plan"</li> </ul>	KMP	2021 LTI Opportunity	2020 LTI Opportunity	MD/CEO	49%	18%	CFO	19%	N/A	CTO	16%	7%	SVP Operations and Strategic Planning	17%	6%	SVP Medical Affairs	17%	7%	SVP R&D and Technology	16%	6%
KMP	2021 LTI Opportunity	2020 LTI Opportunity																				
MD/CEO	49%	18%																				
CFO	19%	N/A																				
CTO	16%	7%																				
SVP Operations and Strategic Planning	17%	6%																				
SVP Medical Affairs	17%	7%																				
SVP R&D and Technology	16%	6%																				
<b>Performance Period</b>	<p>For LTI awarded in the year ended 30 June 2021:</p> <ul style="list-style-type: none"> <li>• Options vest annually in equal portions over a four (4) year period; and</li> <li>• Performance Rights vest based on performance over three (3) years.</li> </ul>																					
<b>Performance Conditions</b>	<p>For Performance Rights awarded in the year ended 30 June 2021, the Board assigned performance hurdles to increase the focus on supporting the Group's long-term business strategy and shareholder value. The performance hurdles include a minimum of three strategic measures and require the achievement of key milestone objectives.</p> <p>Each Performance Right awarded is subject to achieving LTI Hurdles related to the following objectives:</p> <ul style="list-style-type: none"> <li>• Total Shareholder Return (TSR 3-Year)</li> <li>• Contracted Revenue Pipeline (CRP) at 30 June 2023</li> </ul> <p>These performance conditions were selected because their achievement in the defined timeframe is critical to the company's success and drives long-term value-creation demonstrating the company's achievement for shareholders over the long term.</p> <p>Due to the commercially sensitive nature of the specific performance metrics within these KPI's, ImpediMed will provide further details in the annual report following the end of the performance period.</p>																					

<b>Treatment of Dividends on Unvested Awards</b>	The LTI instruments do not carry dividend or voting rights prior to vesting.
<b>Leaver Provisions</b>	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.
<b>Clawback Provisions</b>	Provides the Board discretion to clawback variable pay of LTI participants in the event of serious misconduct or fraud by the employee or other specific events.
<b>Change of Control</b>	In a situation where there is likely to be a change of control of the Group, the Board may have the discretion to determine whether some, none or all of the LTI instruments will vest.

The Remuneration Committee aims to prudently manage dilution and the accounting-cost of executive equity plans, while leveraging long-term incentives to maintain shareholder alignment and execution of the business strategy. Periodically the remuneration committee reviews capacity levels of LTI plans.

### LTI Performance Conditions and Outcomes

No LTI equity awards were made to the MD/CEO or other Executives during the financial year 2019, except in relation to a new-hire grant to the CTO.

For grants made in the year ended 30 June 2019, in addition to time-based requirements, performance rights also included specific challenging performance conditions that needed to be satisfied in order for the rights to vest. The table below provides an overview of ImpediMed's performance against the performance conditions applicable to performance rights granted to Executive KMP for the period of 1 July 2019 to 30 June 2021. Each performance condition was set with reference to minimum, at-plan or maximum achievement.

Performance Condition	Key Achievements & Performance Outcomes
<b>Cancer Guidelines: 50%</b>	<b>KPI Assessment: Maximum</b> Achieved 100% of maximum performance for the objectives as detailed below.
<p>BIS and method for use included in cancer guidelines in a manner material to the company</p> <ul style="list-style-type: none"> <li>Minimum: by 30 June 2021</li> <li>Plan: by 31 December 2020</li> <li>Maximum: by 30 June 2020</li> </ul> <p>Selected because the achievement in the defined time frame is critical to increased adoption of L-Dex and use of BIS for a risk assessment tool for diagnosis of Lymphoedema, and private payer reimbursement in the US Selected to measure progress towards</p>	<p>Achievement:</p> <p>During the performance period and before 30 June 2020, the following changes to various material Guidelines occurred:</p> <ul style="list-style-type: none"> <li>LE&amp;RN Centers of Excellence Standards 2019 – Under the heading of Assessment Tools - require institutions to use perometry or BIS or Tape Measure for lymphoedema assessment.</li> <li>eviCore healthcare Clinical Guidelines – February 2019 - listed BIS as a validated clinical tool for diagnosing lymphedema</li> <li>NCCN Breast Cancer – January 2020 – added “Lymphedema is a potential side effect after treatment of axillary lymph node surgery resulting from damage to the lymphatic system in 15 Jan 2020. Early detection/diagnosis of lymphedema is key for optimal management. Consider pretreatment measurement of both arms as a baseline for patients with risk factors for lymphedema. See NCCN Guidelines for Survivorship: Lymphedema (SLYMP-1)”</li> <li>Academy of Oncologic Physical Therapy of APTA – March 2020 – published “In concordance with a CPG for diagnostic measures, volume measures or bioelectric impedance spectroscopy (BIS) were determined as the current best standard for diagnosing and measuring the effectiveness of lymphedema treatments on increased interstitial fluid.”</li> </ul>
<b>Revenue Growth: 50%</b>	<b>KPI Assessment: Not Achieved</b> Achieved 0% of the target performance for the objectives as detailed below.
<p>Revenue Growth</p> <p>Selected to measure commercialisation of IPD's technology</p>	<p>Achievement:</p> <ul style="list-style-type: none"> <li>The milestones established for the year ended 30 June 2019 were based on a capital-based business model but later the Group transitioned to a SaaS business model. The Group had revenue of \$8.4m for the reporting period as well as a CRP of \$14.5m as at 30 June 2021. While this represented strong growth in the SaaS model, the revenue metric was not achieved.</li> </ul>

These rights will vest during calendar year 2021, subject to satisfying the remaining time-based requirements related to the grant.

The following table provides the percent and number of performance rights that vested as a result of the performance summarised above. No LTI equity awards were made to the MD/CEO or other Executives during the financial year 2019, except in relation to a new-hire grant to the CTO.

KMP	% Performance Hurdles Achieved (compared to at Max)	% Performance Hurdles Opportunity (at Max)	# Performance Rights to Vest (i)	AUD Value of Performance To Vest (\$0.105 share price at 30 June 2021)
<b>Shashi Tripathi</b> CTO	75%	150%	155,000	\$16,275

(i) Subject to remaining time-based vesting requirements.

### Minimum Shareholding Requirement

Executives are prohibited from disposing of ImpediMed shares acquired from equity-based share schemes (other than to the extent necessary to satisfy statutory obligations, such as to fund the associated tax liability arising on the vesting of the equity, or with the consent of the Board), 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 Executives is equal to the value of their annual base salary after tax.

The minimum shareholding requirement for NED's is equal to the value of one year's base fee (excluding committee fees) after tax. For the purposes of calculating whether the minimum shareholding has been met, the calculation is based on the share price at the time of purchase and/or vesting.

As at the date of this report, all NED's met their minimum shareholding requirement.

### Executive Contractual Arrangements

Remuneration arrangements for the Executive 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 Executive KMP have negotiated termination provisions as follows:

	Notice Period	Payment in Lieu of Notice	Treatment of STI and LTI on Termination
<b>Managing Director</b>			
R Carreon	12 months	12 months	Unvested awards forfeited
<b>Executives</b>			
T Cruickshank	9 months	9 months	Unvested awards forfeited
S Tripathi	9 months	9 months	Unvested awards forfeited
D Adams	9 months	9 months	Unvested awards forfeited
C Kingsford	9 months	9 months	Unvested awards forfeited
D Schlaht	9 months	9 months	Unvested awards forfeited

## SECTION 7

### Statutory Tables

#### 7.1 Remuneration of KMP for the Year Ended 30 June 2021

30 June 2021	Short-Term Benefits			Post-Employment	Long-Term Benefits	Share-Based Payments		Total	Performance Related	
	Base Salaries & Fees	STI Awards (vi)	Non-Monetary			Super-annuation	Long Service Leave		LTI Awards	Share Plans (vii)
<b>Directors</b>										
S Ward (i)	-	-	-	-	-	-	133,894	133,894	0%	0%
D Anderson (i)	-	-	-	-	-	-	78,309	78,309	0%	0%
J Downes	-	-	-	6,234	-	-	65,625	71,859	0%	0%
R Graham	-	-	-	5,611	-	-	59,063	64,674	0%	0%
A Patel (i)	-	-	-	-	-	-	78,607	78,607	0%	0%
D Williams (i)	-	-	-	-	-	-	96,075	96,075	0%	0%
R Carreon (i) (ii) (iii) (iv)	449,419	862,470	24,536	21,910	-	595,269	79,455	2,033,059	42%	29%
<b>Executives</b>										
T Cruickshank (i) (ii) (iii)	285,258	235,850	25,974	15,566	-	78,550	54,117	695,315	34%	11%
D Adams (i) (ii) (iii)	320,989	235,563	26,621	3,121	-	112,611	56,726	755,631	31%	15%
S Tripathi (i) (ii) (iii)	317,563	233,049	26,010	15,543	-	74,077	61,376	727,618	32%	10%
C Kingsford (iii)	257,138	188,705	-	33,782	20,901	96,904	38,937	636,367	30%	15%
D Schlaht (i) (ii) (iii) (v)	305,277	290,986	30,060	11,148	-	104,820	52,866	795,157	37%	13%
<b>Total</b>	<b>1,935,644</b>	<b>2,046,623</b>	<b>133,201</b>	<b>112,915</b>	<b>20,901</b>	<b>1,062,231</b>	<b>855,050</b>	<b>6,166,565</b>		

The figures represent the amounts expended in the relevant reporting period.

- (i) 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. Share-based compensation includes the expense during the financial year of all awards regardless of the financial year awarded.
- (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 share price from the close of business on the day prior to the date of grant.
- (iv) MD/CEO cash-based remuneration decreased by 51% year over year. In addition, MD/CEO targeted fixed cash remuneration was reduced by 35% during the financial year as a result of a 30% temporary reduction in salary for the first six months of the year and 20% salary taken as shares in lieu of cash for the entire year. Please refer to section 3 of the remuneration report for additional details.
- (v) D Schlaht received an additional short-term incentive during the year related to sales activities of \$67k.
- (vi) The amounts stated for STI Awards relate to amounts earned and accrued for the FY21 financial year. For Executive KMP, cash payments related to the STI Awards are being withheld until after the publication of the PREVENT Trial results. In addition, certain Executive KMP will receive 20% of their STI awards as shares in lieu of cash under the Equity Share Plan.
- (vii) During the year, NEDs received 100% of their fees as shares in lieu of cash and Executive KMP received 20% of their cash base salary as shares in lieu of cash. Refer to Section 3 of the Remuneration Report for further details.

Refer to the Directors' Report, details of KMP, for dates of new appointments and resignations.

## 7.1 Remuneration of KMP for the Year Ended 30 June 2020

30 June 2020	Short-Term Benefits			Post-Employment	Long-Term Benefits	Share-Based Payments		Severance	Total	Performance Related	
	Base Salaries & Fees	STI Awards	Non-Monetary			Super-annuation	Long Service Leave			LTI Awards	Share Plans (in lieu of Base Salaries & Fees)
<b>Directors</b>											
S Ward (i)	-	-	-	-	-	-	161,335	-	161,335	0%	0%
D Anderson (i) (ii)	-	-	-	-	-	-	10,290	-	10,290	0%	0%
J Downes	-	-	-	6,680	-	-	70,312	-	76,992	0%	0%
R Graham	-	-	-	6,012	-	-	63,281	-	69,293	0%	0%
G Goetzke (i) (iii)	-	-	-	-	-	-	70,048	-	70,048	0%	0%
A Patel (i)	-	-	-	-	-	-	94,717	-	94,717	0%	0%
D Williams (i)	-	-	-	-	-	-	115,766	-	115,766	0%	0%
R Carreon (i) (iv) (v)	557,846	117,417	23,484	17,954	-	339,138	86,309	-	1,142,148	10%	30%
<b>Executives</b>											
M Vigeland (i) (iv) (v) (vi)	201,588	-	25,129	10,251	-	(380,085)	32,098	311,218	200,199	0%	(190)%
D Adams (i) (iv) (v)	368,728	41,532	33,717	16,816	-	113,307	66,089	-	640,189	6%	18%
S Tripathi (i) (iv) (v)	435,862	41,089	33,828	16,806	-	110,837	15,966	-	654,388	6%	17%
C Kingsford (v)	265,710	29,897	-	45,441	8,329	87,163	38,121	-	474,661	6%	18%
D Schlaht (i) (iv) (v)	351,052	39,499	33,828	11,777	-	130,040	61,740	-	627,936	6%	21%
<b>Total</b>	<b>2,180,786</b>	<b>269,434</b>	<b>149,986</b>	<b>131,737</b>	<b>8,329</b>	<b>400,400</b>	<b>886,072</b>	<b>311,218</b>	<b>4,337,962</b>		

The figures represent the amounts expensed in the relevant reporting period.

- (i) 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. Share-based compensation includes the expense during the financial year of all awards regardless of the financial year awarded.
- (ii) D Anderson was appointed to the Board in May 2020.
- (iii) G Goetzke retired in March 2020.
- (iv) 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.
- (v) 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 share price from the close of business on the day prior to the date of grant.
- (vi) M Vigeland separated employment in March 2020.

Refer to the Directors' Report, details of KMP, for dates of new appointments and resignations.

## 7.2 Remuneration Awards: Granted, Vested, and Lapsed During the Year

### (A) OPTIONS

30 June 2021	Number Granted during Year	Grant Date	Value per Option at Grant Date	Exercise Price per Option (\$)	Expiry Date for Option Vested	Vested Number of Options this Year (#)	Fair Value of Options Granted During Year (\$)	Number of Options Lapsed During Year (#)
<b>Executives</b>								
R Carreon	6,159,000	28-Oct-20	0.0604	0.084	28-Oct-27	-	371,859	-
R Carreon	-	11-Nov-19	0.0902	0.15	11-Nov-26	498,153	-	-
R Carreon	-	15-Nov-17	0.4963	0.815	15-Nov-24	388,250	-	-
R Carreon	-	14-Nov-16	0.9458	1.46	14-Nov-23	218,000	-	-
R Carreon	-	24-Apr-14	0.1147	0.21	30-Jun-21	-	-	639,222
T Cruickshank	1,593,000	28-Oct-20	0.0604	0.084	28-Oct-27	-	96,180	-
T Cruickshank	500,000	16-Apr-21	0.0985	0.137	16-Apr-28	-	49,241	-
T Cruickshank	-	05-Dec-13	0.1681	0.26	30-Jun-21	-	-	25,534
T Cruickshank	-	24-Apr-14	0.1147	0.21	30-Jun-21	-	-	6,383
T Cruickshank	-	24-Apr-14	0.1147	0.21	30-Jun-21	-	-	33,334
T Cruickshank	-	11-Nov-19	0.0902	0.15	11-Nov-26	82,000	-	-
T Cruickshank	-	15-Nov-17	0.4963	0.815	15-Nov-24	57,500	-	-
T Cruickshank	-	25-Oct-16	1.0269	1.66	25-Oct-23	29,750	-	-
S Tripathi	1,673,000	28-Oct-20	0.0604	0.084	28-Oct-27	-	101,010	-
S Tripathi	-	11-Nov-19	0.0902	0.15	11-Nov-26	162,466	-	-
S Tripathi	-	31-Jul-18	0.2258	0.52	31-Jul-25	128,750	-	-
D Adams	1,673,000	28-Oct-20	0.0604	0.084	28-Oct-27	-	101,010	-
D Adams	-	11-Nov-19	0.0902	0.15	11-Nov-26	135,466	-	-
D Adams	-	15-Nov-17	0.4963	0.815	15-Nov-24	119,000	-	-
D Adams	-	14-Nov-16	0.9459	1.46	14-Nov-23	83,750	-	-
C Kingsford	1,493,000	28-Oct-20	0.0604	0.084	28-Oct-27	-	90,142	-
C Kingsford	-	11-Nov-19	0.0902	0.15	11-Nov-26	116,619	-	-
C Kingsford	-	15-Nov-17	0.4963	0.815	15-Nov-24	102,500	-	-
C Kingsford	-	25-Oct-16	1.0269	1.66	25-Oct-23	65,000	-	-
C Kingsford	-	24-Apr-14	0.1147	0.21	30-Jun-21	-	-	69,950
D Schlaht	1,593,000	28-Oct-20	0.0604	0.084	28-Oct-27	-	96,180	-
D Schlaht	-	11-Nov-19	0.0902	0.15	11-Nov-26	127,591	-	-
D Schlaht	-	15-Nov-17	0.4963	0.8150	15-Nov-24	112,000	-	-
D Schlaht	-	25-Oct-16	1.0269	1.6600	25-Oct-23	64,500	-	-
D Schlaht	-	24-Apr-14	0.1147	0.21	30-Jun-21	-	-	69,950
<b>Total</b>	<b>14,684,000</b>					<b>2,491,295</b>	<b>905,622</b>	<b>844,373</b>

### (B) PERFORMANCE RIGHTS

30 June 2021	Terms and Conditions of Each Grant					
	Number Granted during Year	Grant Date	Value per Perf Right at Grant Date (\$)	Expiry Date for Perf Right Vested During Year	Number of Perf Rights (#) vested during year	Number of Perf Rights Lapsed During Year
<b>Executives</b>						
R Carreon	7,400,000	28-Oct-2020	0.087	02-Oct-2023	-	-
R Carreon	-	15-Nov-2017	0.815	15-Nov-2020	631,000	-
T Cruickshank	1,440,000	28-Oct-2020	0.087	02-Oct-2023	-	-
T Cruickshank	250,000	16-Apr-2021	0.135	16-Apr-2024	-	-
T Cruickshank	-	15-Nov-2017	0.815	15-Nov-2020	70,500	-
S Tripathi	1,500,000	28-Oct-2020	0.087	02-Oct-2023	-	-
S Tripathi	-	31-Jul-2018	0.4050	31-Jul-2021	-	155,000
D Adams	1,500,000	28-Oct-2020	0.087	02-Oct-2023	-	-
D Adams	-	15-Nov-2017	0.815	15-Nov-2020	144,750	-
C Kingsford	1,350,000	28-Oct-2020	0.087	02-Oct-2023	-	-
C Kingsford	-	15-Nov-2017	0.815	15-Nov-2020	124,500	-
D Schlaht	1,440,000	28-Oct-2020	0.087	02-Oct-2023	-	-
D Schlaht	-	15-Nov-2017	0.815	15-Nov-2020	136,500	-
<b>Total</b>	<b>14,880,000</b>				<b>1,107,250</b>	<b>155,000</b>

(i) Performance rights granted in financial year 2021 have time and performance-based vesting criteria. Refer to Note 18 for additional information.



### 7.3 Remuneration Awards: Awards Held by Key Management Personnel

#### (A) OPTIONS

30 June 2021	Held at the Start of the Period	Granted During Period	Exercised During Period	Options of Other Changes (i)	Held at the End of the Period	Options Vested and Exercisable	Options Vested, Exercisable and in-the-money
	No.	No.	No.	No.	No.	No.	No.
<b>Directors</b>							
R Carreon	14,869,895	6,159,000	-	(639,222)	20,389,673	12,347,964	-
<b>Executives</b>							
T Cruickshank	970,251	2,093,000	-	(65,251)	2,998,000	601,500	-
S Tripathi	1,164,863	1,673,000	-	-	2,837,863	419,966	-
D Adams	1,352,863	1,673,000	-	-	3,025,863	827,466	-
C Kingsford	2,228,926	1,493,000	-	(69,950)	3,651,976	1,706,619	-
D Schlaht	2,078,813	1,593,000	-	(69,950)	3,601,863	1,514,091	-
<b>Total</b>	<b>22,665,611</b>	<b>14,684,000</b>	<b>-</b>	<b>(844,373)</b>	<b>36,505,238</b>	<b>17,417,606</b>	<b>-</b>

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

#### (B) PERFORMANCE RIGHTS

30 June 2021	Held at the Start of the Period	Granted During Period	Vested During Period	Perf Rights from Other Changes	Held at the End of the Period
	No.	No.	No.	No.	No.
<b>Directors</b>					
R Carreon	2,593,871	7,400,000	(631,000)	-	9,362,871
<b>Executives</b>					
T Cruickshank	519,000	1,690,000	(70,500)	-	2,138,500
S Tripathi	789,832	1,500,000	-	(155,000)	2,134,832
D Adams	545,082	1,500,000	(144,750)	-	1,900,332
C Kingsford	469,136	1,350,000	(124,500)	-	1,694,636
D Schlaht	513,560	1,440,000	(136,500)	-	1,817,060
<b>Total</b>	<b>5,430,481</b>	<b>14,880,000</b>	<b>(1,107,250)</b>	<b>(155,000)</b>	<b>19,048,231</b>

## 7.4 Shareholdings of Key Management Personnel

### (A) SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL AND EXECUTIVES

30 June 2021	Held at the Start of Period	Granted as Remuneration	On exercise of Options & Vesting of Perf Rights	Net Change Other (iv)	Held at the End of Period	Held Nominally
	No.	No.	No.	No.	No.	No.
<b>Directors</b>						
S Ward	1,581,321	1,479,671	-	-	3,060,992	3,060,992
J Downes (i)	1,112,402	699,144	-	442,823	2,254,369	2,254,369
D Anderson	-	714,058	-	-	714,058	714,058
R Graham (i)	773,186	629,229	-	269,684	1,672,099	1,672,099
A Patel	869,598	868,691	-	-	1,738,289	1,738,289
D Williams	1,085,286	1,061,734	-	-	2,147,020	2,147,020
R Carreon	2,026,402	913,752	631,000	-	3,571,154	3,571,154
<b>Executives</b>						
T Cruickshank	177,931	623,919	70,500	-	872,350	872,350
D Adams	839,868	660,563	144,750	-	1,645,181	1,645,181
S Tripathi	-	714,099	-	-	714,099	714,099
C Kingsford (ii)	3,811,490	440,152	124,500	2,049,540	6,425,682	6,425,682
D Schlaht	1,045,484	617,275	108,000	-	1,770,759	1,770,759
<b>Subtotal</b>	<b>13,322,968</b>	<b>9,422,287</b>	<b>1,078,750</b>	<b>2,762,047</b>	<b>26,586,052</b>	<b>26,586,052</b>
M Bassett (iii)	8,950,638	427,096	-	7,283,333	16,661,067	16,661,067
N Deisinger (iii)	386,437	505,458	136,500	-	1,028,395	1,028,395
<b>Total</b>	<b>22,660,043</b>	<b>10,354,841</b>	<b>1,215,250</b>	<b>10,045,380</b>	<b>44,275,514</b>	<b>44,275,514</b>

- (i) The shareholding movements during the period for Directors relate to shares purchased through option exercises related to capital raisings during the year and not through compensation.
- (ii) The shareholding movements during the period relate to shares purchased through option exercises related to capital raisings during the year and not through compensation, as well as a reclassification of shares held from indirect to held directly in the name of the KMP.
- (iii) M Bassett and N Deisinger are Executives of the Group but are not considered KMP for the purposes of this report. Their shareholdings are reflected here to show the ownership interests of the full Executive team. As a result of the Executive Share Plan and additional share purchases by Executives during the year, NEDs and Executives now have approximately a 3% ownership interest in the Company.
- (iv) Share movements relate to options exercised from March 2021 capital raise.

### (B) SHARES ISSUED ON EXERCISE OF REMUNERATION OPTIONS

During the year ended 30 June 2021, no shares were issued on the exercise of remuneration options (2020: nil) and 1,107,250 shares were issued on the vesting of performance rights (2020: 775,333).

## 7.5 Other Transactions and Balances with KMP and their Related Parties

For the year ended 30 June 2021, the Group issued shares to Directors and Executives as equity-based remuneration in lieu of cash. There were no other transactions that occurred with Directors or Executives that would be considered related party transactions.

## 7.6 Consequences of Performance on Shareholder Value

ImpediMed Limited has operated as a listed public company since October 2007. The Group is building revenue in its core medical business and has yet to achieve profitability. The Remuneration Committee has linked certain items below as part of the review of KMP remuneration.

In addition, the Remuneration Committee considers other elements are necessary to create shareholder wealth through acceptance and use of the Group's products. While the Remuneration Committee has regard to the items shown in the following table, in respect of the current and prior financial years, KMPs' remuneration is not solely linked to these items, but rather to building the elements necessary to create shareholder wealth through acceptance and use of the Group's products.

Amount \$	2021	2020	2019	2018	2017
SOZO Revenue (Millions)	\$7.6	\$4.7	\$2.3	\$0.7	\$0.1
Change in SOZO Revenue	64%	99%	229%	600%	N/A
Total Medical Revenue (Millions)	\$8.4	\$5.7	\$4.2	\$3.3	\$4.8
Change in Medical Revenue	47%	38%	27%	(31)%	17%
Net Loss Attributable to Equity Holders of the Parent Entity (Millions)	(\$20.7)	(\$21.5)	(\$24.1)	(\$27.4)	(\$27.6)
Dividends Paid	nil	nil	nil	nil	nil
Share Price at 30 June	\$0.105	\$0.062	\$0.114	\$0.395	\$0.75
Change in Share Price	69%	(46)%	(71)%	(47)%	(21)%
Market Cap (Millions)	\$156.6	\$62.1	\$43.3	\$149.7	\$281.6

## 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:

Directors (i)	Board Meetings		Remuneration Committee		Audit & Risk Management Committee	
	# Meetings Eligible to Attend	# Meetings Attended	# Meetings Eligible to Attend	# Meetings Attended	# Meetings Eligible to Attend	# Meetings Attended
<b>Total</b>	<b>8</b>	<b>8</b>	<b>6</b>	<b>6</b>	<b>4</b>	<b>4</b>
S Ward (ii)	8	8	2	2		
D Anderson (iii)	8	8	4	4		
J Downes	8	7			4	4
R Graham	8	8	6	6		
A Patel	8	8			4	4
D Williams	8	8	6	6	4	4
R Carreon	8	8				

(i) A Director's attendance at a committee meeting is only included if the Director is a member of the committee or Chairman of the Board. The Nomination Committee did not have any meetings during the year.

(ii) S Ward left the Remuneration Committee effective August 2020.

(iii) D Anderson joined the Remuneration Committee effective August 2020.

## Committee Membership

Directors	Remuneration Committee	Audit & Risk Management Committee	Nomination Committee
S Ward	-	-	Chair
D Anderson	Member	-	Member
J Downes	-	Chair	Member
R Graham	Member	-	Member
A Patel	-	Member	Member
D Williams	Chair	Member	Member
R Carreon (i)	-	-	-

(i) As an Executive Director, R Carreon does 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.

# Auditor's Independence Declaration and Non-Audit Services

## Auditor's Independence Declaration

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

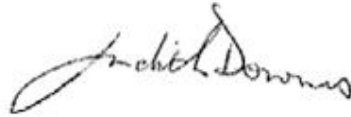
## Non-Audit Services

No non-audit services were provided.

Signed in according with a resolution of the Directors.



Scott R. Ward  
Chairman



Judith Downes  
Director

25 August 2021



**Building a better  
working world**

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## Auditor's Independence Declaration to the Directors of ImpediMed Limited

As lead auditor for the audit of the financial report of ImpediMed Limited for the financial year ended 30 June 2021, 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.

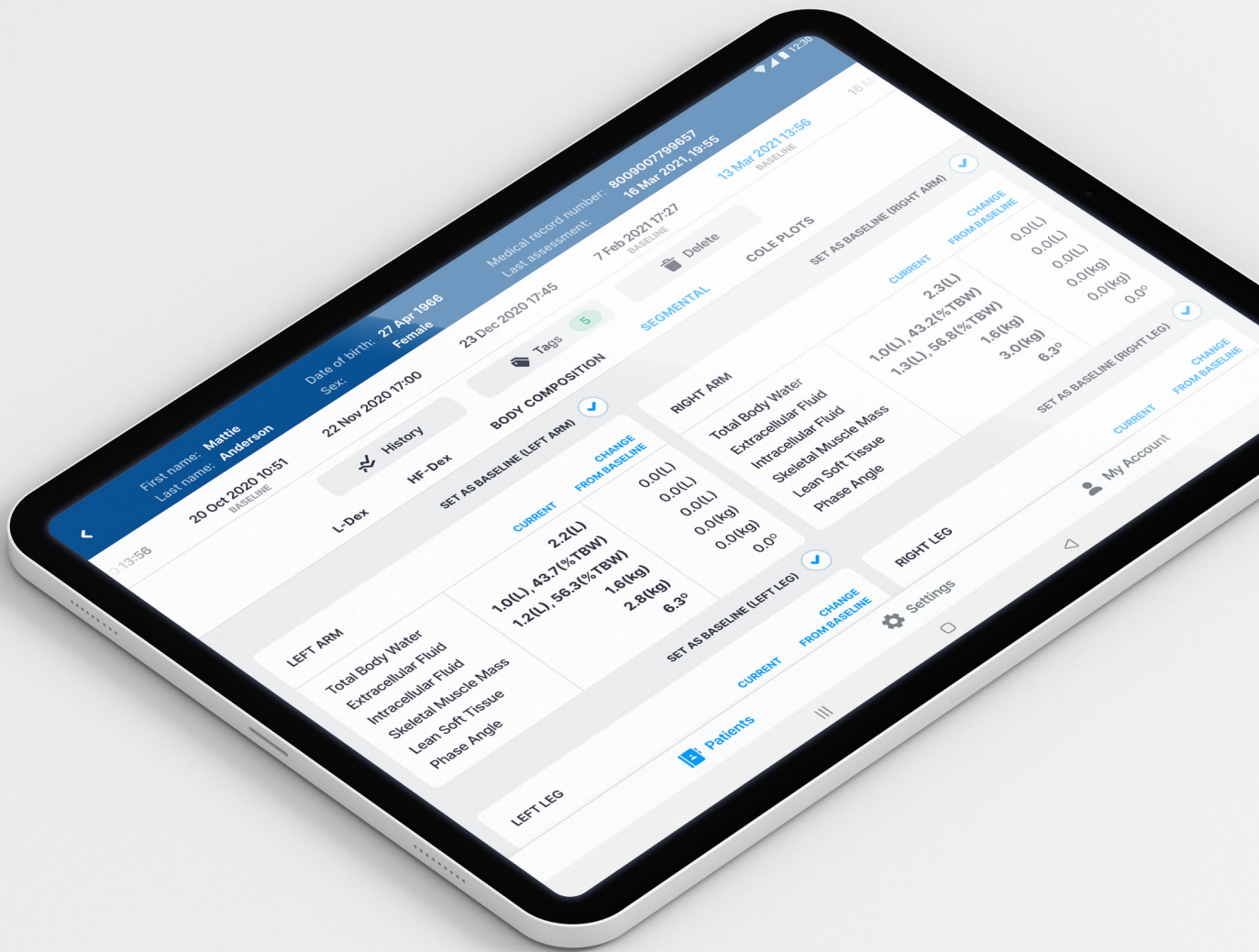
Ernst & Young

Jennifer Barker  
Partner  
25 August 2021

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# FINANCIAL REPORT

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

	Notes	2021 \$000	2020 \$000
<b>Continuing Operations</b>			
SOZO Revenue	4	7,639	4,656
Legacy Revenue	4	714	1,038
Other Revenue	4	56	47
<b>Total Revenue</b>		<b>8,409</b>	<b>5,741</b>
Cost of Goods Sold		(1,602)	(1,678)
<b>Gross Profit</b>		<b>6,807</b>	<b>4,063</b>
Finance Income/(Expense), Net	6	(31)	39
Other Income	6	2,381	4,142
Salaries and Benefits	7	(17,309)	(15,515)
Share-based Payments	7	(3,035)	(2,246)
Clinical Trials and Research & Development	7	(1,456)	(3,308)
Administrative and Governance		(2,181)	(2,329)
Consultants and Professional Fees	7	(2,884)	(2,279)
Other Expenses	7	(2,959)	(3,896)
<b>Loss from Continuing Operations Before Income Tax</b>		<b>(20,667)</b>	<b>(21,329)</b>
Income Tax	19	(39)	(48)
<b>Net Loss from Continuing Operations</b>		<b>(20,706)</b>	<b>(21,377)</b>
<b>Other Comprehensive Income</b>			
Items that may be reclassified as profit or loss:			
Foreign Currency Translation Loss	16	(881)	(162)
<b>Other Comprehensive Loss for the Period, Net of Tax</b>		<b>(881)</b>	<b>(162)</b>
<b>Total Comprehensive Loss</b>		<b>(21,587)</b>	<b>(21,539)</b>
		\$	\$
Basic and Diluted Loss per Share	2	(0.02)	(0.04)

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



# CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 30 JUNE

	Notes	2021 \$000	2020 \$000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	8	19,681	19,663
Trade and Other Receivables	9	3,705	3,730
Contract Assets	5	895	785
Inventories	10	372	864
Prepayments and Other		997	408
<b>Total Current Assets</b>		<b>25,650</b>	<b>25,450</b>
<b>Non-Current Assets</b>			
Other Financial Assets		73	77
Right of use Asset		447	823
Property and Equipment	11	583	192
Intangible Assets	12	7,452	6,522
<b>Total Non-Current Assets</b>		<b>8,555</b>	<b>7,614</b>
<b>Total Assets</b>		<b>34,205</b>	<b>33,064</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade Payables and Other	13	1,748	2,330
Contract Liabilities	5	877	441
Provisions	14	5,194	1,837
Interest Bearing Lease Liabilities		315	364
<b>Total Current Liabilities</b>		<b>8,134</b>	<b>4,972</b>
<b>Non-Current Liabilities</b>			
Contract Liabilities	5	218	137
Interest Bearing Lease Liabilities	26	159	507
Provisions	14	180	87
<b>Total Non-Current Liabilities</b>		<b>557</b>	<b>731</b>
<b>Total Liabilities</b>		<b>8,691</b>	<b>5,703</b>
<b>Net Assets</b>		<b>25,514</b>	<b>27,361</b>
<b>Equity</b>			
Issued Capital	15	267,268	250,563
Reserves	16	29,013	26,859
Accumulated Losses		(270,767)	(250,061)
<b>Total Equity</b>		<b>25,514</b>	<b>27,361</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

	Notes	2021 \$000	2020 \$000
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers (Inclusive of GST and US Sales Tax)		7,732	5,385
Payments to Suppliers (Inclusive of GST and US Sales Tax)		(10,187)	(11,766)
Payments to Employees		(13,799)	(17,440)
Interest Received		25	131
Government Grant Receipts		2,971	4,472
<b>Net Cash Flows Used in Operating Activities</b>	<b>8</b>	<b>(13,258)</b>	<b>(19,218)</b>
<b>Cash Flow from Investing Activities</b>			
Purchase of Property and Equipment	11	(66)	(91)
Development Expenditures and Purchase of Intangibles	12	(2,391)	(2,070)
<b>Net Cash Flows Used in Investing Activities</b>		<b>(2,457)</b>	<b>(2,161)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Issue of Ordinary Shares	15	16,839	33,251
Transaction Costs from Capital Raising		(133)	(2,679)
Proceeds from Borrowings		170	-
Payment of Principal Portion of Lease Liabilities		(410)	(413)
<b>Net Cash Flows from Financing Activities</b>		<b>16,466</b>	<b>30,159</b>
Net Increase in Cash and Cash Equivalents		751	8,780
Net Foreign Exchange Differences		(733)	(447)
Cash and Cash Equivalents at Beginning of Year		19,663	11,330
<b>Cash and Cash Equivalents at End of Year</b>	<b>8</b>	<b>19,681</b>	<b>19,663</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE

	Notes	Issued Capital \$000	Share Reserves \$000	Foreign Currency Reserves \$000	Reserves \$000	Accumulated Losses \$000 (restated)	Total \$000
<b>At 30 June 2019</b>		<b>219,727</b>	<b>18,871</b>	<b>5,904</b>	<b>24,775</b>	<b>(228,717)</b>	<b>15,785</b>
Effect of Adoption of AASB 16 <i>Leases</i>		-	-	-	-	33	33
<b>At 30 June 2019 (adjusted)</b>		<b>219,727</b>	<b>18,871</b>	<b>5,904</b>	<b>24,775</b>	<b>(228,684)</b>	<b>15,818</b>
Loss for the Period from Continuing Operations		-	-	-	-	(21,377)	(21,377)
Other Comprehensive Loss from Continuing Operations		-	-	(162)	(162)	-	(162)
<b>Total Comprehensive Loss for the Period</b>				<b>(162)</b>	<b>(162)</b>	<b>(21,377)</b>	<b>(21,539)</b>
<b>Equity Transactions:</b>							
Share-based Payments	18	-	2,246	-	2,246	-	2,246
Issue of Ordinary Shares	15	33,335	-	-	-	-	33,335
Costs of Capital Raising	15	(2,499)	-	-	-	-	(2,499)
<b>At 30 June 2020</b>		<b>250,563</b>	<b>21,117</b>	<b>5,742</b>	<b>26,859</b>	<b>(250,061)</b>	<b>27,361</b>
Loss for the Period from Continuing Operations		-	-	-	-	(20,706)	(20,706)
Other Comprehensive Loss from Continuing Operations		-	-	(881)	(881)	-	(881)
<b>Total Comprehensive Loss for the Period</b>				<b>(881)</b>	<b>(881)</b>	<b>(20,706)</b>	<b>(21,587)</b>
<b>Equity Transactions:</b>							
Share-based Payments	18	-	3,035	-	3,035	-	3,035
Issue of Ordinary Shares	15	16,839	-	-	-	-	16,839
Costs of Capital Raising	15	(134)	-	-	-	-	(134)
<b>At 30 June 2021</b>		<b>267,268</b>	<b>24,152</b>	<b>4,861</b>	<b>29,013</b>	<b>(270,767)</b>	<b>25,514</b>

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 2021

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## 1. Basis of Preparation

### Corporate Information

The financial report of the Group for the year ended 30 June 2021 was authorized for issue in accordance with a resolution of the Board of Directors on 25 August 2021.

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

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.

### Going Concern

These financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities, the realization of assets and the settlement of liabilities in the ordinary course of business. The Group had cash at its disposal of \$19.7 million at 30 June 2021 (30 June 2020: \$19.7 million) and had no borrowing from banks or other financial institutions at that date. The Group incurred a net loss of \$20.7 million for the year ended 30 June 2021 (30 June 2020 \$21.4 million) and had \$13.3 million (30 June 2020: \$19.2 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 increased cash inflows. The Group establishes various scenarios in its operating plan process. These scenarios include assumptions relating to (i) increased cash receipts from customers and (ii) other funding arrangements, such as capital raisings, debt financing and strategic partnerships.

If the Group is unable to manage cash inflows and outflows at amounts as necessary to meet future operating plans, there is material uncertainty whether the Group will be able to continue as a going concern to realise assets and extinguish liabilities in the ordinary course of business. The Directors are confident they will be able to generate cash flows that will provide sufficient funding to enable the Group to 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 continue as a going concern.

On this basis, the going concern basis of accounting has been used. No adjustment has been made to the amounts and classifications of recorded assets and liabilities should the Group be unable to continue as a going concern.

### Compliance with IFRS

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

## 2. Earnings per Share (EPS)

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

	2021 \$000	2020 \$000
<b>Net Loss Used in Calculating Basic and Diluted Earnings</b>		
Continuing Operations	(20,706)	(21,377)
<b>Net Loss Attributable to Ordinary Equity Holders of the Parent for Basic and Diluted Earnings per Share</b>	<b>(20,706)</b>	<b>(21,377)</b>
	<b>No.</b>	<b>No.</b>
<b>Weighted Average Number of Ordinary Shares Used in Calculating Basic and Diluted Earnings per Share</b>	<b>1,202,320,326</b>	<b>595,167,164</b>
	<b>\$</b>	<b>\$</b>
<b>Basic and Diluted Loss per Share</b>	<b>(0.02)</b>	<b>(0.04)</b>
<b>Basic and Diluted Loss per Share from Continuing Operations</b>	<b>(0.02)</b>	<b>(0.04)</b>

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 2021, 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 2021 there were 60,780,923 (2020: 32,595,501) options and 26,082,845 (2020: 7,372,095) performance rights on issue. These unquoted awards were not considered as part of the EPS calculation because they would be anti-dilutive.

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

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

### 3. Dividends Paid and Proposed

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

## 4. Segment Reporting

### (A) Operating Segment

#### Accounting Policies and Inter-Segment Transactions

The accounting policies used by the Group in reporting segments internally are consistent with the prior period. Certain comparative amounts have been restated to conform to the current year's presentation.

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

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

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

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

#### Identification of Reportable Segment

For the 2021 financial 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 2021 financial year for the Medical Segment was the continued commercialisation of SOZO and of the subscription revenue model, which yielded gross margins in excess of 90% and a contracted revenue pipeline of \$14.5 million at 30 June 2021.

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

#### SOZO – Core Business

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

#### SOZO – Clinical Business

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

### Major Customers

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

### Segment Revenues and Segment Results

On a monthly basis, the Chief Executive Officer assesses the performance of each segment by analysing the segment's revenues and net operating profit / (loss) before depreciation and amortisation, finance cost, and tax.

### Gross Margins

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

Year Ended 30 June 2021	Medical					
	SOZO – Core Business \$000	SOZO – Clinical Business \$000	Total SOZO \$000	Legacy \$000	Other \$000	Total \$000
<b>Revenue</b>						
Recurring Subscription and Consumable Revenue from Contracts with Customers	4,163	1,680	5,843	392	-	6,235
Recurring Device Revenue from Leases	-	179	179	-	-	179
Device Revenue from Contracts with Customers	1,617	-	1,617	322	-	1,939
Other Revenue	-	-	-	-	56	56
<b>Total Revenue</b>	<b>5,780</b>	<b>1,859</b>	<b>7,639</b>	<b>714</b>	<b>56</b>	<b>8,409</b>
<b>Cost of Revenue</b>						
Cost of Recurring Subscription and Consumable Revenue from Contracts with Customers			(326)	(31)	-	(357)
Cost of Recurring Device Revenue from Leases			(45)	-	-	(45)
Cost of Device Revenue from Contracts with Customers			(713)	(141)	-	(854)
Cost of Other Revenue			-	-	(346)	(346)
<b>Total Cost of Revenue</b>			<b>(1,084)</b>	<b>(172)</b>	<b>(346)</b>	<b>(1,602)</b>
<b>Gross Margin</b>						
Gross Margin – Recurring Subscriptions and Consumables			5,517	361	-	5,878
Gross Margin – Recurring Devices			134	-	-	134
Gross Margin - Devices			904	181	-	1,085
Gross Margin - Other Revenue			-	-	(290)	(290)
<b>Blended Margin</b>			<b>6,555</b>	<b>542</b>	<b>(290)</b>	<b>6,807</b>
<b>Gross Margin %</b>						
Gross Margin – Recurring Subscriptions and Consumables			94%	92%	-	94%
Gross Margin – Recurring Devices			75%	-	-	75%
Gross Margin - Devices			56%	56%	-	56%
<b>Blended Margin %</b>			<b>86%</b>	<b>76%</b>		<b>81%</b>

Year Ended 30 June 2020	Medical					
	SOZO – Core Business \$000	SOZO – Clinical Business \$000	Total SOZO \$000	Legacy \$000	Other \$000	Total \$000
<b>Revenue</b>						
Recurring Subscription and Consumable Revenue from Contracts with Customers	3,410	-	3,410	714	-	4,124
Recurring Device Revenue from Leases	-	-	-	-	-	-
Device Revenue from Contracts with Customers	1,246	-	1,246	324	-	1,570
Other Revenue	-	-	-	-	47	47
<b>Total Revenue</b>	<b>4,656</b>	<b>-</b>	<b>4,656</b>	<b>1,038</b>	<b>47</b>	<b>5,741</b>
<b>Cost of Revenue</b>						
Cost of Recurring Subscription and Consumable Revenue from Contracts with Customers			(589)	(34)	-	(623)
Cost of Recurring Device Revenue from Leases			-	-	-	-
Cost of Device Revenue from Contracts with Customers			(549)	(160)	-	(709)
Cost of Other Revenue			-	-	(346)	(346)
<b>Total Cost of Revenue</b>			<b>(1,138)</b>	<b>(194)</b>	<b>(346)</b>	<b>(1,678)</b>
<b>Gross Margin</b>						
Gross Margin – Recurring Subscriptions and Consumables			2,821	680	-	3,501
Gross Margin – Recurring Devices			-	-	-	-
Gross Margin - Devices			697	164	-	861
Gross Margin - Other Revenue			-	-	(299)	(299)
<b>Blended Margin</b>			<b>3,518</b>	<b>844</b>	<b>(299)</b>	<b>4,063</b>
<b>Gross Margin %</b>						
Gross Margin – Recurring Subscriptions and Consumables			83%	95%	-	85%
Gross Margin – Recurring Devices			-	-	-	-
Gross Margin - Devices			56%	51%	-	55%
<b>Blended Margin %</b>			<b>76%</b>	<b>81%</b>	<b>-</b>	<b>71%</b>

## (B) Geographical Segments

The following tables present revenue and profit/(loss) information and certain asset and liability information regarding geographical segments for the years ended 30 June 2021 and 2020. Revenue data is based on the location of the customer for geographical reporting purposes.

### Australia / Rest of World (ROW)

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

### North America

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



## Geographical Segment Revenue

Year Ended 30 June 2021	Australia/ROW \$000	North America \$000	Total \$000
Revenue from Subscriptions and Consumables	416	4,139	4,555
Revenue from Devices	864	1,075	1,939
Other Revenue	23	33	56
<b>Total Segment Revenue</b>	<b>1,303</b>	<b>5,247</b>	<b>6,550</b>
Unallocated Revenue (i)			1,859
<b>Total Consolidated Revenue</b>			<b>8,409</b>

Year Ended 30 June 2020	Australia/ROW \$000	North America \$000	Total \$000
Revenue from Subscriptions and Consumables	353	3,771	4,124
Revenue from Devices	468	1,102	1,570
Other Revenue	12	35	47
<b>Total Segment Revenue</b>	<b>833</b>	<b>4,908</b>	<b>5,741</b>
Unallocated Revenue			-
<b>Total Consolidated Revenue</b>			<b>5,741</b>

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

### Sales of Goods – Device and Consumable Revenue

All segment assets and costs relating to the Group's operating segments as at 30 June 2021 are Medical.

## 5. Revenue from Contracts with Customers

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

	2021 \$000	2020 \$000
<b>Sales of Goods and Subscription Services</b>		
Subscription and Consumable Revenue from Contracts with Customers	6,235	4,124
Device Revenue from Contracts with Customers	1,939	1,570
Device Revenue from Leases	179	-
Other Revenue	56	47
<b>Total Revenue</b>	<b>8,409</b>	<b>5,741</b>

Set out below are the amounts that relate to SOZO contracts that remain on the balance sheet at 30 June:

	2021 \$000	2020 \$000
<b>Contract Balances</b>		
Trade Receivables (Note 9)	1,964	917
Contract Assets	895	785
Contract Liabilities, current	(877)	(411)
Contract Liabilities, non-current	(218)	(137)

Set out below is the amount of revenue recognised from:

	2021 \$000	2020 \$000
Amounts Included in Contract Liabilities at the Beginning of the Year	500	353

## AASB 15 Revenue Recognition Policy

### (a) Sale of Goods – Legacy Devices and Consumables

Revenue from the stand-alone sale of legacy devices and consumables is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the devices or consumables, and when there is persuasive evidence, usually in the form of a purchase order or an executed sales agreement with a customer at the time of delivery of the goods to the customer that no further work or processing is required to satisfy the performance obligation, 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).

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

### (b) SOZO 3.0–4.0 – Sale of Device and Subscription Services

The Group enters into contracts with customers for bundled sales of SOZO 3.0 - 4.0 devices and subscription services. The Group has determined that these bundled sales contracts are comprised of one performance obligation because the promises to transfer the SOZO device and subscription services for ongoing assessment are not capable of being distinct and separately identified.

Accordingly, the Group allocates the entire transaction price, which may include a discount, to the one performance obligation.

Revenue under these contracts is recognised using the input cost method based on the estimated cost of fulfilling the completion of the promises in accordance with the contractual terms, and when there is persuasive evidence, usually in the form of a purchase order or an executed sales agreement with a customer at the time of delivery of the goods to the customer.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

### (c) Rendering of Other Services

Revenue from the repair of instruments is recognised at the point in time upon completion of the performance obligation, which is typically when the repair has been performed. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

## AASB 16 Revenue Recognition Policy

The Group enters into agreements with customers for a finite period of time that involve the leasing of SOZO devices with use of subscription services over that period of time. These agreements contain both a lease component, being the individual SOZO devices delivered to the Customer, and a non-lease component, being the software subscription service provided to the Customer.

The lease component (the device) meets the definition of an Operating Lease and is therefore accounted for in accordance with AASB 16 Leases and the income will be recognised on a straight-line basis over the life of the contract. When devices ship under the contract they will be derecognised as inventory and recognised as a fixed asset and depreciated over their useful life. Device depreciation expense will be recorded to cost of goods sold. The subscription service component meets the criteria for AASB 15 and will be recognised on a straight-line basis over the life of the contract.

## Key Considerations in the Revenue Policy

In determining the transaction price for the subscription services, the Group considers the effect of the following:

### (i) Judgements

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Identifying the number of performance obligations in a bundled sale of equipment and subscription services under different contractual arrangement for SOZO 3.0 and 4.0. The Group provides devices that are bundled together with the subscription services to a customer. Under the contractual terms the subscription services are a promise to provide ongoing access to assessment and testing services in the future and are part of the negotiated exchange between the Group and the customer. The delivery of those services can vary under the contracts and impacts the determination of performance obligations.

### (ii) Significant Financing Component

The Group may receive short-term advances from its customers in the form of up-front payment of devices, consumables or advance payment of subscription services. The Group has not identified any significant financing components within these advances. Using the practical expedient in AASB 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good

or service will be one year or less. There was no adjustment made in respect of this in the current or prior periods.

#### (iii) Warranty Obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

#### (iv) Incremental Costs of Obtaining a Contract

The Group pays sales commission to its employees for each contract that they obtain for bundled sales of SOZO devices and subscription services. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

#### (v) Contract Balances

##### Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

##### Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

##### Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group completes the performance obligations under the contract.

## 6. Finance and Other Income

	2021 \$000	2020 \$000
<b>Finance Income</b>		
Interest Income – term deposits	21	112
Interest Expense – lease liability	(52)	(73)
<b>Finance Income / (Expense), Net</b>	<b>(31)</b>	<b>39</b>
<b>Other Income</b>		
R&D Tax Incentive	1,788	2,606
Proceeds from Tax Refunds, Grants, and Other (i)	593	1,536
<b>Other Income</b>	<b>2,381</b>	<b>4,142</b>

(i) During the period, the Group applied for and received government grants and forgivable loans in relation to the COVID-19 pandemic. The Group recognised \$0.3M of previously deferred grant income related to the Paycheck Protection Program (PPP) in the United States, and \$0.2M in income related to the JobKeeper Program and pay as you go (PAYG) tax credits in Australia, and \$0.1M related to other grants.

##### 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 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 and Grant Revenue

The Australian Taxation Office (ATO) provides certain Research and Development (R&D) 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.

The Group accrues for amounts when there is reasonable assurance of receipt and compliance with the stated conditions. Whilst there is a judgment involved in when reasonable assurance exists, the Group now has a history of successful lodgings and receipt with the ATO. The Group recognises income related to the R&D tax incentive in the period in which the expenses are recognised.

Under AASB 120, the Group recognises income from forgivable loans and grants on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the forgivable loans and grants are intended to compensate.

## 7. Expenses

<b>Salaries and Benefits</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Wages and Salaries (i)(ii)	10,854	11,954
Short-Term Incentives and Sales Commissions (iii)	5,142	2,139
Employee Benefits	1,054	1,016
Superannuation	482	496
Annual Leave & Long Service Leave	380	278
Taxes and Other	1,103	1,278
Capitalised Employee Costs (ii)	(1,706)	(1,646)
<b>Sub-Total Salaries and Benefits</b>	<b>17,309</b>	<b>15,515</b>
Share-Based Payments to Employees	3,035	2,246
<b>Total Salaries and Benefits</b>	<b>20,344</b>	<b>17,761</b>

- (i) In the year ended 30 June 2021, MD/CEO and other executives took a temporary reduction in base salary and an additional portion of base salary in equity in lieu of cash as a result of the request of shareholders and in consideration of external market factors (COVID-19) and cash conservation.
- (ii) Certain wages and salaries relating to SOZO software development have been recognised as Intangible Assets in accordance with AASB 138 *Intangible Assets* in both the current and prior corresponding periods. In addition, certain wages and salaries directly related to SOZO customer installations and trainings are allocated to cost of revenue for the current period.
- (iii) Short-Term Incentives and Sales Commissions for the 2021 financial year primarily consisted of \$1.2 million (2020: 1.4 million) in sales related Commissions and \$3.9 million (2020: \$0.7 million) in Short-Term Incentives (including on-costs) resulting from 137.6% achievement for employees and 178.2% achievement for the MD/CEO (2020: 21.8%). See Remuneration Report for details

<b>Clinical Trials and Research &amp; Development</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Cardiology and Other Clinical Trials (i)	278	1,623
Oncology Clinical Trials (ii)	1,166	1,590
Other	12	95
<b>Total Clinical Trials and Research &amp; Development</b>	<b>1,456</b>	<b>3,308</b>

- (i) Trial costs decreased compared to the previous period as the Group paused the CHF trial while waiting on FDA clearance to remove SOZO contraindications for implantable pacing and cardioverter defibrillator devices.
- (ii) With the completion of the >1,200 patient PREVENT Trial, the largest international multicenter randomised controlled trial undertaken in the prevention of breast cancer-related lymphoedema, costs related to oncology clinical trials decreased in the current period.

<b>Consultants and Professional Fees</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Consulting Fees (i)	2,023	924
Patent and Trademark Fees	673	434
Professional Fees (ii)	188	921
<b>Total Consultants and Professional Fees</b>	<b>2,884</b>	<b>2,279</b>

- (i) Consulting Fees increased in the financial period due to an increase in reimbursement activities, as the Group worked to gain the data necessary for US private insurance coverage policies. The Group has now moved the reimbursement function in house, replacing our outside consultants, which has allowed the Group to substantially expand our reimbursement efforts while also decreasing costs.
- (ii) Professional Fees decreased in the financial period due to limited employee recruiting fees and other professional fees in 2021 compared to 2020.

<b>Other Expenses</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Depreciation and Amortisation (i)	1,700	1,436
Advertising and Promotion (ii)	447	875
Travel (iii)	139	856
IT, Property and Other	673	729
<b>Total Other Expenses</b>	<b>2,959</b>	<b>3,896</b>

- (i) Depreciation and Amortisation increased in the financial period due to the capitalisation of Software Development costs (refer to Note 12).
- (ii) The Group decreased Advertising and Promotion expenses due to reduced tradeshows during the COVID-19 pandemic.
- (iii) Travel decreased due to the COVID-19 pandemic.

## 8. Cash and Cash Equivalents

	2021 \$000	2020 \$000
Cash at Bank and in Hand	8,182	10,886
Short Term Deposits	11,499	8,777
<b>Cash and Cash Equivalents</b>	<b>19,681</b>	<b>19,663</b>

### RECONCILIATION FROM NET LOSS AFTER TAX TO NET CASH FLOW FROM OPERATIONS

	2021 \$000	2020 \$000
<b>Net Loss After Tax</b>	<b>(20,706)</b>	<b>(21,377)</b>
Adjustments For:		
Depreciation and Amortisation Expense	1,700	1,436
Share-based Payment Expense	3,035	2,246
(Reversals of) and Amounts Set Aside for Provisions	(302)	14
Unrealised Foreign Currency Loss	235	346
<b>Changes in Net Assets and Liabilities:</b>		
Decrease / (Increase) in Assets:		
Inventories	492	257
Property, Plant & Equipment and Intangible Assets	(428)	(49)
Receivables	(84)	(256)
Other Current and Non-current Assets	(589)	128
<b>(Decrease) / Increase in Liabilities</b>		
Current Payables	(283)	(58)
Other Current and Non-current Liabilities	3,672	(1,905)
<b>Net Cash Used in Operating Activities</b>	<b>(13,258)</b>	<b>(19,218)</b>

## 9. Trade and Other Receivables

	2021 \$000	2020 \$000
Trade Receivables	1,964	917
Allowance for Expected Credit losses	(84)	(46)
Interest Receivable	1	6
Tax and Other Receivables	1,824	2,853
<b>Total Trade and Other Receivables</b>	<b>3,705</b>	<b>3,730</b>

### Impairment on Current Assets

AASB 9 requires the Group to recognise an allowance for expected credit loss (ECL) for all trade receivables and contract assets through profit or loss.

During the year, the Group recognised \$74,000 (2020: \$13,000) in expected credit losses in accordance with AASB 9, which primarily related to increased sales activity.

Trade receivables are non-interest bearing and are generally include 30-90 day terms, based upon each customer's credit rating.

Movements in the provision for impairment loss were as follows:

	2021 \$000	2020 \$000
<b>At July 1</b>	<b>46</b>	<b>52</b>
Charge for the Year	79	19
Amounts Reversed	(5)	(25)
Amounts Written Off	(33)	(1)
Foreign Exchange Translation	(3)	1
<b>At June 30</b>	<b>84</b>	<b>46</b>

The remaining receivables past due, but not considered impaired, are actively assessed by Management and viewed as recoverable. As at 30 June, the ageing analysis of trade receivables is as follows:

	Total	Neither Past Due nor Impaired	Past Due but Not Impaired		
			<30 Days	30-60 Days	>61 days (i)
<b>2021</b>	<b>1,880</b>	<b>1,388</b>	<b>103</b>	<b>43</b>	<b>346</b>
2020	871	605	76	38	152

#### Fair Value and Credit Risk

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

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

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are generally considered objective evidence of impairment.

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

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

## 10. Current Assets – Inventories

	2021 \$000	2020 \$000
Raw Materials (at cost) (i)	289	269
Finished Goods (at cost) (i)	677	1,320
Provision for Obsolete Inventory (i)	(594)	(725)
<b>Total Inventories at the Lower of Cost and Net Realisable Value</b>	<b>372</b>	<b>864</b>

(i) the Group made efforts to best utilise working capital and has scheduled additional builds of SOZO inventory so that delivery of inventory from the contract manufacturer is in line with sales forecasts. The inventory provision relates to legacy devices.

#### Inventories

Inventories are valued at the lower of cost and net realisable value. Inventory write-downs recognised as an expense in cost of sales were nil (2020: \$23,000) for the Group.

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.

A provision for inventory obsolescence is recorded when it is determined the net realisable value of inventory is lower than its cost. Factors contemplated in determining net realisable value are expected future usage, sales volumes and price and the age and nature of the inventory held.

## 11. Non-Current Assets – Property and Equipment

Year Ended 30 June 2021	Leased, Demo & Loan Devices \$000	Leasehold Improvements \$000	Property & Machinery \$000	Computer Equipment \$000	Total \$000
<b>At 1 July 2020 Net of Accumulated Depreciation</b>	49	26	46	71	192
Additions	-	-	-	71	71
Disposals	-	-	-	-	-
Transfers from Inventory	482	-	-	-	482
Depreciation Charge for the Year	(68)	(10)	(27)	(44)	(149)
Effect of Foreign Exchange	(7)	-	(2)	(4)	(13)
<b>At 30 June 2021 Net of Accumulated Depreciation</b>	<b>456</b>	<b>16</b>	<b>17</b>	<b>94</b>	<b>583</b>
<b>At 30 June 2021</b>					
Cost	1,360	182	668	730	2,940
Accumulated Depreciation	(904)	(166)	(651)	(636)	(2,357)
<b>Net Carrying Amount</b>	<b>456</b>	<b>16</b>	<b>17</b>	<b>94</b>	<b>583</b>

Year Ended 30 June 2020	Leased, Demo & Loan Devices \$000	Leasehold Improvements \$000	Property & Machinery \$000	Computer Equipment \$000	Total \$000
<b>At 1 July 2019 Net of Accumulated Depreciation</b>	66	11	72	39	188
Additions	-	23	-	82	105
Disposals	-	-	-	-	-
Transfers from Inventory	17	-	-	-	17
Depreciation Charge for the Year	(33)	(8)	(29)	(51)	(121)
Effect of Foreign Exchange	(1)	-	3	1	3
<b>At 30 June 2020 Net of Accumulated Depreciation</b>	<b>49</b>	<b>26</b>	<b>46</b>	<b>71</b>	<b>192</b>
<b>At 30 June 2020</b>					
Cost	889	186	707	702	2,484
Accumulated Depreciation	(840)	(160)	(661)	(631)	(2,292)
<b>Net Carrying Amount</b>	<b>49</b>	<b>26</b>	<b>46</b>	<b>71</b>	<b>192</b>

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	1 – 10 years
Devices Under Lease 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. Certain assets classified as Plant, Machinery and Equipment during the year have been determined to have a one-year useful life based on the expected economic life of the assets and are amortised using the straight-line method. Certain Leasehold improvements capitalised by the Group were calculated to have useful lives that mirror their respective premise leases.

### Derecognition

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.

## 12. Non-Current Assets – Intangible Assets and Goodwill

Year Ended 30 June 2021	Development Costs (i) \$000	Other Software (i) \$000	Patents & Licenses \$000	Goodwill \$000	Total \$000
<b>At 1 July 2020 Net of Accumulated Amortisation &amp; Impairment</b>	3,856	17	13	2,636	6,522
Arising During the Year	2,451	-	-	-	2,451
Amortisation	(1,286)	(10)	(4)	-	(1,300)
Effect of Foreign Exchange	-	-	-	(221)	(221)
<b>At 30 June 2021 Net of Accumulated Amortisation &amp; Impairment</b>	<b>5,021</b>	<b>7</b>	<b>9</b>	<b>2,415</b>	<b>7,452</b>
<b>At 30 June 2021</b>					
Cost (Gross Carrying Amount)	7,694	459	33	2,415	10,601
Accumulated Amortisation & Impairment	(2,673)	(452)	(24)	-	(3,149)
<b>Net Carrying Amount</b>	<b>5,021</b>	<b>7</b>	<b>9</b>	<b>2,415</b>	<b>7,452</b>

Year Ended 30 June 2020	Development Costs (i) \$000	Other Software (i) \$000	Patents & Licenses \$000	Goodwill \$000	Total \$000
<b>At 1 July 2019 Net of Accumulated Amortisation &amp; Impairment</b>	2,747	28	16	2,584	5,375
Arising During the Year	2,070	-	-	-	2,070
Amortisation	(961)	(11)	(3)	-	(975)
Effect of Foreign Exchange	-	-	-	52	52
<b>At 30 June 2020 Net of Accumulated Amortisation &amp; Impairment</b>	<b>3,856</b>	<b>17</b>	<b>13</b>	<b>2,636</b>	<b>6,522</b>
<b>At 30 June 2020</b>					
Cost (Gross Carrying Amount)	5,244	488	36	2,636	8,404
Accumulated Amortisation & Impairment	(1,388)	(471)	(23)	-	(1,882)
<b>Net Carrying Amount</b>	<b>3,856</b>	<b>17</b>	<b>13</b>	<b>2,636</b>	<b>6,522</b>

(i) Development costs relate to internally generated and developed SOZO software. Other software relates to externally purchased software used in operations of the Group.

### Description of the Group's Intangible Assets and Goodwill

#### Accounting Policies for Intangible Assets

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 below. 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.

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

	Software & Patents and Licenses	Development Costs
<b>Useful Lives</b>	Finite	Finite
<b>Method Used</b>	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
<b>Internally Generated / Acquired</b>	Acquired	Internally generated
<b>Impairment Test / Recoverable Amount Test</b>	When an indication of impairment exists	When an indication of impairment exists

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.

#### Software

The Group's software intangible primarily includes the Group's investment in its Quality Management System (QMS), 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 three or 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. The Group has determined the IFRS Interpretations Committee (IFRIC) issued agenda decision *Configuration or Customisation Costs in a Cloud Computing Arrangement* has no material impact on the consolidated financial statements.

#### Development Costs

The Group capitalises certain costs related to the development of medical technology software in accordance with AASB 138 Intangible Assets.

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.
- 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.

Intangible assets related to development costs have been assessed as having a finite life and are amortised using the straight-line method over a period of three or five years, based on the expected economic life of the assets. The amortisation has been recognised in the statement of comprehensive income in the line item "depreciation and amortisation". If an impairment indication arises, impairment testing is undertaken.

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.

## 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 2021 or 2020.

## 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 which is the only unit under the Medical Segment.

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 the value in use (VIU), discounted cash flow methodology.

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.

The movements during the years ended 30 June 2021 and 2020 were solely due to movements in foreign exchange rates.

## Impairment Tests for Goodwill and Intangible Assets with Indefinite Useful Lives

### Description of the Group's Cash Generating Units (CGUs)

At 30 June 2021, the Group has only one CGU, which is the Medical CGU. 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 includes the sale of 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 2021 and 2020.

### Details of Impairment Testing

Impairment testing has been performed by reviewing the carrying amounts of net assets and by calculating the value in use (VIU) of the CGU.

The market capitalisation of the Group at 30 June 2021 was approximately \$157 million, which exceeded the net assets recorded (including goodwill) by approximately \$131 million.

The VIU cash flow model is based on a five-year period which analyses the net present value (NPV) of cash flows using a 12.5% (2020: 12.5%) discount rate and a 3% (2020: 3%) long-term growth rate. The short-term cash flows used in the cash flow model are based on operating plans and forecasts approved by the Board, which consider the size of markets available to the Group. In order to calculate the discount rate for use in the VIU cash flow model, the Group used a weighted average cost of capital (WACC) method. The Group currently has no debt, aside from the funds received from the various government programs and has created equity by relying upon capital raises for its operating funds. Due to the inherent risk related to future cash flows, Management has assessed the breakeven discount rate at 30 June 2021 to be 22.5% (2020: 17.3%).

### 13. Current Liabilities – Trade and Other Payables

	2021 \$000	2020 \$000
Trade Payables and Accruals	1,296	1,913
Employee Related Accruals	405	366
Sales Tax Payable	47	51
<b>Carrying Amount of Trade and Other Payables</b>	<b>1,748</b>	<b>2,330</b>

Trade payables and accruals are unsecured and 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.

Trade payables and other payables are carried at amortised cost and, due to their short-term nature, 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.

#### 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

	2021 \$000	2020 \$000
<b>Current</b>		
Employee Entitlements (i)	5,111	1,799
Warranty Provision	83	38
<b>Total Current Provisions</b>	<b>5,194</b>	<b>1,837</b>
<b>Non-Current</b>		
Employee Entitlements	79	42
Office Lease – Make Good Provisions	25	26
Prepaid Service Contracts	76	19
<b>Total Non-current Provisions</b>	<b>180</b>	<b>87</b>

(i) The provision for current employee benefits primarily relates to the estimate for employee short-term incentives related to that financial year, as well as a provision for accrued employee annual leave and long service leave. The short-term incentive plan is a cash-based incentive which is awarded based on annual performance. For the financial year ended 30 June 2021, the incentive plan focused on both Group and individual performance.

#### Significant Movements in Provisions

For the year ended 30 June 2021, the Group has an accrual of \$3.8 million (2020: \$0.6 million) in short-term incentives, which is offset by the utilisation of approximately \$0.6 million (2020: \$2.7 million) in short-term incentives related to the prior year accrual, net of foreign exchange differences.

#### Nature and Timing of Provisions

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 Entitlements

Employee entitlements comprise accrued entitlements for annual leave, performance pay and superannuation contributions (all current) and for long service leave (non-current).

Employee entitlements 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.

## Warranty Provision

A provision for warranty is recognised for expected warranty claims on products sold during the last year, based on experience of the level of repairs and returns on a 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.

## Make Good Provision

To comply with office lease agreements, the Group must restore leased premises to the original condition at the end of each premise'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 for each premise has been calculated using pre-tax discount rates of 1-8%, depending on the location of the premise.

## 15. Contributed Equity

### Ordinary Shares

	2021 \$000	2020 \$000
Ordinary Shares Fully Paid	267,268	250,563
<b>Total Ordinary Shares</b>	<b>267,268</b>	<b>250,563</b>

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.

Ordinary shares fully paid include transaction costs of \$0.1M (2020: \$2.5M) pertaining to the cost of capital raisings and the issuance of LTI awards in the current reporting period. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Number of Shares	\$000
<b>At 30 June 2019</b>	<b>379,803,987</b>	<b>219,727</b>
Issued During the Period as a Result of:		
Issue of Ordinary Shares under the April 2020 Entitlement Offer	486,114,474	19,323
Issue of Ordinary Shares under the July 2019 Entitlement Offer	126,602,928	13,926
Issue of Ordinary Shares under the Equity Share Plans(i)	7,480,640	-
Issue of Ordinary Shares from the Exercise of Employee Awards	1,695,232	86
Transactions Costs	-	(2,499)
<b>At 30 June 2020</b>	<b>1,001,697,261</b>	<b>250,563</b>
Issued During the Period as a Result of:		
Issue of Ordinary Shares under the April 2020 Entitlement Offer	478,201,183	16,839
Issue of Ordinary Shares under the Equity Share Plans(i)	10,377,344	-
Issue of Ordinary Shares from the Exercise of Employee Awards	1,402,750	-
Transactions Costs	-	(134)
<b>At 30 June 2021</b>	<b>1,491,678,538</b>	<b>267,268</b>

(i) Shares issued under the Equity Share Plans relate to remuneration paid to Non-Executive Directors and Executives in lieu of cash.

## Capital Management

	2021 \$000	2020 \$000
<b>Trade and Other Payables</b>	<b>1,748</b>	<b>2,330</b>
Less Cash and Cash Equivalents	(19,681)	(19,663)
<b>Net Debt</b>	<b>(17,933)</b>	<b>(17,333)</b>
Total Equity	25,514	27,361
<b>Total Capital</b>	<b>7,581</b>	<b>10,028</b>
<b>Net Debt to Equity Ratio</b>	<b>N/A</b>	<b>N/A</b>

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

	Share Reserves \$000	Equity Escrow Reserve \$000	Foreign Currency Translation \$000	Total \$000
<b>At 30 June 2019</b>	<b>18,871</b>	-	<b>5,904</b>	<b>24,775</b>
Foreign Currency Translation	-	-	(162)	(162)
Share-based Payment	1,281	965	-	2,246
<b>At 30 June 2020</b>	<b>20,152</b>	<b>965</b>	<b>5,742</b>	<b>26,859</b>
Foreign Currency Translation	-	-	(881)	(881)
Share-based Payment	2,098	937	-	3,035
<b>At 30 June 2021</b>	<b>22,250</b>	<b>1,902</b>	<b>4,861</b>	<b>29,013</b>

The Group currently maintains two long-term incentive plans for share-based payments in relation to awards issued as options and performance rights. 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 or performance rights provide dividend or voting rights to the holders.

Further details on share-based payments are provided in Note 18.

At 30 June 2021, there were 86,863,768 (30 June 2020: 39,967,596) unissued ordinary shares in respect of 60,780,923 (30 June 2020: 32,595,501) unlisted options, 26,082,845 (30 June 2020: 7,372,095) performance shares and nil (30 June 2020: 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.

#### Equity Escrow Reserve

The Equity Escrow reserve is used to record the value of share-based payments to participants in the Equity Compensation Plan. The Plan went into effect 1 July 2020 after receiving shareholder approval at the 2020 AGM providing up to 20% base salary as equity in lieu of cash. The NEDs have also agreed to a 25% reduction in their fees effective 1 April 2020 which were already being received 100% in equity with the NED Share Plan that went into effect 1 July 2020.

#### 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)

	2021 \$000	2020 \$000
Employee Benefits (i) (ii)	4,115	2,600
Post-employment Benefits	134	451
Share-based Payments (iii)	1,917	1,286
<b>Total Compensation (iv)</b>	<b>6,166</b>	<b>4,337</b>

- (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) The MD/CEO and other Executive KMP continued a temporary reduction in fixed cash remuneration for one half of the fiscal year ended 30 June 2021 (a total of 9 months from 1 April 2020) while monitoring the impact of COVID-19 on the business. This was offset by an increase in STIs compared to the prior period. Refer to the Remuneration Report for further information.
- (iii) Share-based Payments increased in the 2021 financial year due to an increase in awards granted compared to the prior year.
- (iv) The majority of KMPs are based in the US and are paid in USD. The total compensation is therefore translated for financial reporting purposes to AUD monthly. Refer to the Remuneration Report for additional details in relation to KMP remuneration practices.

### 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:

Grant Type	Expiry Date	Exercise Price	2021
Performance Rights	31-Jul-2021	\$ -	155,000
Share Options	04-Dec-2021	\$ 0.69	3,717,000
Share Options	01-Jul-2022	\$ 1.00	886,500
Share Options	8-Jul-2022	\$ 0.35	7,252,561
Performance Rights	11-Nov-2022	\$ -	3,863,231
Performance Rights	08-Apr-2023	\$ -	150,000
Share Options	25-Oct-2023	\$ 1.66	518,000
Performance Rights	28-Oct-2023	\$ -	14,630,000
Share Options	04-Nov-2023	\$ 1.47	119,000
Share Options	13-Nov-2023	\$ 1.46	335,000
Share Options	14-Nov-2023	\$ 1.46	872,000
Performance Rights	16-Apr-2024	\$ -	250,000
Share Options	15-Nov-2024	\$ 0.82	3,117,000
Share Options	31-Jul-2025	\$ 0.51	515,000
Share Options	11-Nov-2026	\$ 0.15	4,489,177
Share Options	28-Oct-2027	\$ 0.08	14,184,000
Share Options	16-Apr-2028	\$ 0.14	500,000
			<b>55,553,469</b>

## 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:

	2021 \$000	2020 \$000
Expense Arising from Equity-Settled Share-Based Payment Transactions – Employees and Consultants	2,098	1,281
Expense Arising from the Equity Compensation Plan – Directors and Employees	937	965
<b>Total Expense Arising from Share-Based Payment Transactions</b>	<b>3,035</b>	<b>2,246</b>

### Executive and Non-Executive Share Plans

During FY20, the Group instituted an Executive Share Plan whereby up to 20% of an Executive's gross salary and short-term incentives and a Non-Executive Share Plan whereby 100% of Directors' fees were taken as shares in lieu of cash. The Group established these plans to (a) align the financial interests of Executives and Directors with those of the shareholders, (b) facilitate the acquisition of shares by the Executives and Directors, and (c) preserve cash reserves by remunerating the Executives and Directors with shares in lieu of cash. Refer to the 2020 AGM Notice for full details of the plans.

During the period, share-based payments under the Non-Executive Director and Executive Share Plans totaled approximately \$937,000 (30 June 2020: \$965,000), of which approximately \$855,000 (30 June 2020: \$886,000) was related to Key Management Personnel (KMP). These shares were issued in lieu of cash remuneration, which comprised 100% of Directors' fees and up to 20% of Executive salaries.

#### Equity-Settled Transactions

The Group provides benefits to employees (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. This plan has a US Sub-Plan established as an appendix to 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.
- The CEO Option Plan.

Further details of 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 financial year 2021, 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.

#### (A) TYPES OF SHARE-BASED PAYMENTS 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 the Group.

##### 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.

##### 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.

Unless otherwise determined by the Board, an option 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);
  - 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 incentives, 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)
- 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.

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 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 30,663,000 (2020: 9,624,808) share options to participants under the EIP during the current year.

For new and existing 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.

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.

#### 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 20,536,000 (2020: 5,750,175) 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.

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

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

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

#### Employee Share Option Plan (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.



## ESOP Schemes Terms and Conditions

Share options were granted to participants of the Group at the discretion of the Board of Directors.

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

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 Managing Director and CEO Remuneration section of the Remuneration Report.

## (B) SUMMARY OF OPTIONS AND PERFORMANCE RIGHTS

### Employee Incentive Plan (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

	2021		2020	
	Number	WAEP \$	Number	WAEP \$
<b>Balance at the Beginning of the Year</b>	24,175,862	0.60	18,180,771	0.86
Granted During the Year	30,663,000	0.09	9,624,808	0.15
Forfeited During the Year	(1,410,500)	0.16	(3,459,946)	0.70
Expired During the Year	-	-	(169,771)	0.73
<b>Balance at the End of the Year</b>	<b>53,428,362</b>	<b>0.32</b>	<b>24,175,862</b>	<b>0.60</b>
<b>Exercisable at 30 June</b>	<b>15,340,716</b>	<b>0.79</b>	<b>10,980,375</b>	<b>0.89</b>

#### PERFORMANCE RIGHTS

	2021		2020	
	Number	WAEP \$	Number	WAEP \$
<b>Balance at the Beginning of the Year</b>	7,372,095	-	4,916,500	-
Granted During the Year	20,536,000	-	5,750,175	-
Forfeited During the Year	(242,500)	-	(2,317,414)	-
Exercised During the Year	(1,402,750)	-	(403,666)	-
Expired During the Year	(180,000)	-	(573,500)	-
<b>Balance at the End of the Year</b>	<b>26,082,845</b>	<b>-</b>	<b>7,372,095</b>	<b>-</b>
<b>Exercisable at 30 June</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Employee Share Option Plan (ESOP)

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

	2021		2020	
	Number	WAEP \$	Number	WAEP \$
Balance at the Beginning of the Year	8,419,639	0.34	10,865,130	0.30
Forfeited During the Year	-		(631,050)	0.11
Exercised During the Year	-		(25,534)	0.16
Expired During the Year	(1,067,078)	0.24	(1,788,907)	0.19
<b>Balance at the End of the Year</b>	<b>7,352,561</b>	<b>0.35</b>	<b>8,419,639</b>	<b>0.34</b>
<b>Exercisable at 30 June</b>	<b>7,352,561</b>	<b>0.35</b>	<b>8,419,639</b>	<b>0.34</b>

## Employee Incentive Plan (EIP)

The year-end balance is represented by:

### SHARE OPTIONS

Number of Options	Exercise Price (\$)	Expiry Date
10,000	0.15	04-Jul-2021
17,500	0.23	04-Jul-2021
40,000	0.07	31-Jul-2021
140,000	0.08	31-Jul-2021
4,234,000	0.69	04-Dec-2021
672,000	0.87	01-Jul-2022
512,500	1.00	01-Jul-2022
200,000	1.03	08-Dec-2022
375,000	0.93	18-May-2023
200,000	1.32	01-Aug-2023
518,000	1.66	25-Oct-2023
559,500	1.47	04-Nov-2023
1,207,000	1.46	13-Nov-2023
120,000	0.74	28-Apr-2024
53,500	0.63	13-Sep-2024
4,955,000	0.82	15-Nov-2024
306,000	0.67	27-Apr-2025
578,000	0.51	31-Jul-2025
100,000	0.23	01-Jan-2026
480,000	0.14	01-Apr-2026
40,000	0.15	01-Aug-2026
40,000	0.15	01-Oct-2026
7,646,362	0.15	11-Nov-2026
190,000	0.17	02-Jan-2027
450,000	0.11	20-Feb-2027
220,000	0.12	07-Apr-2027
195,000	0.04	08-Apr-2027
27,584,000	0.08	28-Oct-2027
480,000	0.13	01-Dec-2027
90,000	0.13	17-Dec-2027
40,000	0.12	07-Apr-2028
500,000	0.14	16-Apr-2028
675,000	0.11	18-Jun-2028
<b>53,428,362</b>		

## PERFORMANCE RIGHTS

Number of Rights	Exercise Price (\$) (i)	Expiry Date
155,000	-	31-Jul-2021
87,500	-	05-Jun-2022
4,739,345	-	11-Nov-2022
200,000	-	01-Dec-2022
415,000	-	20-Feb-2023
150,000	-	08-Apr-2023
19,811,000	-	28-Oct-2023
250,000	-	16-Apr-2024
275,000	-	18-Jun-2024
<b>26,082,845</b>		

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

## Employee Stock Option Plan (ESOP)

The year-end balance is represented by:

Number of Options	Exercise Price (\$)	Expiry Date
100,000	0.44	30-Jun-2022
7,252,561	0.35	08-Jul-2022
<b>7,352,561</b>		

### 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 prior years were issued under the Employee Incentive Plan and the Employee Share Option Plan.

### (C) WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE

#### Employee Share Option Plan (ESOP)

The weighted average remaining contractual life for share options outstanding as at 30 June 2021 is 1.02 (2020: 0.10) years.

#### Employee Incentive Plan (EIP)

The weighted average remaining contractual life for share options outstanding as at 30 June 2021 is 5.01 (2020: 4.40) years. The weighted average remaining contractual life for performance rights outstanding as at 30 June 2021 is 2.13 (2020: 1.91) years.

### (D) RANGE OF EXERCISE PRICES

#### Employee Share Option Plan (ESOP)

The range of exercise prices for options outstanding as at 30 June 2021 is \$0.35-0.44 (2020: \$0.21-0.44)

#### Employee Incentive Plan (EIP)

The range of exercise prices for options outstanding as at 30 June 2021 is \$0.04-1.66 (2020: \$0.04-1.66). The performance rights are issued at nil exercise price.

### (E) WEIGHTED AVERAGE FAIR VALUE

#### Employee Incentive Plan (EIP)

The weighted average fair value of options granted during the year was \$0.09 (2020: \$0.15).

### (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 table lists the inputs in the models used for the financial years ended 30 June 2021 and 2020:

	EIP Issue 2021	EIP Issue 2020
Expected Volatility (%)	75.00%	73.45%
Risk Free Interest Rate (%)	0.20%	2.62%
Expected Life of Options (Years)	7	7
Option Exercise Price (\$)	\$0.084 - \$0.137	\$0.04 - \$0.15
Stock Price at Grant Date (\$)	\$0.084 - \$0.137	\$0.04 - \$0.20
Calculated Fair Value at Grant Date (\$)	\$0.057 - \$0.104	\$0.02 - \$0.10

The fair value of performance shares is measured by using the stock price for ImpediMed Limited as of the close of business on the day prior to the grant date multiplied by the number of eligible shares.

The dividend yield for all tranches was nil. The weighted average share price for all tranches at grant date was \$0.09 in financial year 2021 (2020: \$0.14).

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 behavior, 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.

### (G) ACCOUNTING POLICIES FOR EQUITY-SETTLED TRANSACTIONS

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).

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.

During the prior period, certain options of the MD/CEO were modified to amend the terms of the grant. The amendment removed the market-based exercise conditions of the options. Under AASB 2, this change is viewed as a modification which must be accounted for. Specifically, AASB 2 requires both the option using the original terms and the option with the modified terms to be fair valued at the modification date. The difference between the valuations is recorded in the profit and loss to the extent the fair value of the modified options is greater. Based on the work performed in the current financial year, no additional expense was recorded for the modification of the MD/CEO's options, given the fair value of the modified option was not deemed to be greater than the existing option.

## 19. Income Tax

The major components of income tax are:

Income Tax Expense	2021 \$000	2020 \$000
<b>Current Income Tax</b>		
Current Income Tax Expense	(34)	(38)
Prior Year Over/Under Provision	(5)	(10)
<b>Income Tax Reported in the Consolidated Statement of Comprehensive Income</b>	<b>(39)</b>	<b>(48)</b>

## Tax Losses

The Group has tax losses in Australia of approximately \$84.9 million (2020: \$78.8 million) and tax losses in the US of approximately USD \$107 million (2020: USD \$101.1 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. US tax losses of USD \$68.2 million incurred prior to 2017 have a 20-year expiry period, with an expiry range of 2027 to 2037. No deferred tax asset has been recorded in relation to these tax losses.

<b>Statement of Comprehensive Income Disclosure</b>	<b>2021 \$000</b>	<b>2020 \$000</b>
A reconciliation between tax expense and the accounting profit before income tax multiplied by the Group's applicable tax rate is as follows:		
Group's Applicable Tax Rate is as Follows:		
Accounting Loss Before Tax from Continuing Operations and Discontinued Operations	(20,667)	(21,330)
<b>Accounting Loss Before Income Tax</b>	<b>(20,667)</b>	<b>(21,330)</b>
At Australia's Statutory Income Tax Rate of 27.5% (2020: 27.5%)	(5,683)	(5,866)
<b>Adjustment for Current Income Tax of Previous Years</b>		
Expenditure Not Allowable for Income Tax Purposes	1,686	2,099
Other Assessable Income	76	25
Non-Assessable Income	(514)	(717)
Other Temporary Differences Not Recognised	112	(483)
Foreign Tax Rate Adjustment	905	696
Tax Losses Not Recognised (i)	3,453	4,283
Prior Year Over/Under Provision	4	11
<b>Income Tax Reported in the Consolidated Statement of Comprehensive Income</b>	<b>39</b>	<b>48</b>

(i) Movement in the Tax Losses Not Recognised is primarily related to increased capitalised development costs.

<b>Deferred Tax Disclosures</b>	<b>2021 \$000</b>	<b>2020 \$000</b>
<b>Deferred Tax Assets</b>		
Doubtful Debts	20	11
Employee Entitlements	981	258
S40-880 Costs	462	581
Patents and License Costs	289	356
Sundry Creditors and Accruals	17	62
Losses Available for Offset Against Future Taxable Income	53,463	52,543
Revenue Received in Advance	149	101
Inventory and Other Provisions	184	214
Unrealised Foreign Exchange Losses	(3,192)	(6,828)
<b>Deferred Tax Liabilities</b>		
Income not Derived for Tax Purposes	-	(2)
Property Plan and Equipment	3	12
<b>Subtotal</b>	<b>52,376</b>	<b>47,308</b>
Deferred Tax Assets not Recognisable	(52,376)	(47,308)
<b>Net Deferred Tax Balance Per Accounts</b>	<b>-</b>	<b>-</b>

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 local jurisdictions as of 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 buy in 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 probably 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, assets, and liabilities 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 in current assets, which, in general 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. These amounts are offset by payments made to taxation authorities during each period in the Cash Flow Statement. 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.

## 20. Parent Entity Information

Information Relating to ImpediMed Limited:	2021 \$000	2020 \$000
Current Assets	11,050	11,575
Total Assets	16,207	15,642
Current Liabilities	1,427	1,297
Total Liabilities	1,801	1,536
Issued Capital	267,268	250,563
Accumulated Losses	(289,100)	(267,628)
Performance Share Reserve	5,237	4,396
Share Option Reserve	18,916	16,720
Total Shareholder's Equity	2,320	4,051
Loss of the Parent Entity	(21,472)	(31,067)
<b>Total Comprehensive Loss of the Parent Entity</b>	<b>(21,472)</b>	<b>(31,067)</b>

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 any contingent liabilities of the Parent entity are described in Note 24.

## 21. Related Party Disclosures

### Subsidiaries

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

Name	Country of Incorporation	% Equity Interest	
		2021	2020
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 Australian parent entity.

Details relating to Directors, including remuneration paid, are included in the Directors' Report.

For the year ended 30 June 2021, and for the prior year, no transactions with Directors occurred that would be considered related party transactions.

### Terms and Conditions of Transactions with Related Parties

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

### Key Management Personnel (KMP)

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

For the year ended 30 June 2021, there were no other transactions with KMP that would be considered related party transactions.

## 22. Auditor's Remuneration

	2021 \$000	2020 \$000
Amounts Received or Due and Receivable by Ernst & Young Australia for:		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	190	251
	<b>190</b>	<b>251</b>



## 23. Commitments

### Expenditure Commitments

At 30 June 2021, the Group has commitments of \$1.8 million (2020: \$1.1 million) relating to the funding of future product builds, advertising and promotional activities, and other activities. The expenditure commitments primarily relate to the commercialisation of the SOZO device with L-Dex technology in the US marketplace.

### Accounting Policies for Onerous Contracts

An onerous contract provision is recognised for contracts that are deemed onerous. Contracts are deemed onerous if the unavoidable costs of meeting the obligations under the contract exceed the benefits expected to be received. The Group has no commitments deemed to be onerous.

## 24. Contingencies

### Legal Claims

At 30 June 2021, the Group has no provisions provided in relation to legal claims.

### Contingent Liabilities

The Group had no contingent liabilities as at 30 June 2021 or 2020.

### Cross Guarantees

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

## 25. Events After the Balance Sheet Date

### Issuance of Ordinary Shares – Equity Share Plans

On 5 July 2021, the Group issued 2,317,961 shares to Non-Executive Directors and Executives as part of the Equity Share Plans, related to the Q4 FY'21 performance period covering 1 April 2021 – 30 June 2021. These shares were issued in lieu of cash remuneration, which comprised 100% of Directors' fees and 20% of Executive's base salaries.

### Issuance of Ordinary Shares – Performance Rights

On 6 August 2021, the Group issued 155,000 shares related to performance rights to key management personnel (KMP).

### SOZO Granted Designation as a Breakthrough Device by U.S. Food and Drug Administration (FDA)

On 23 August 2021, the Group announced that SOZO has received FDA Breakthrough Device Designation for a proposed indication in a renal patient population.

### Receipt of \$1.8 Million R&D Tax Incentive Refund

On 24 August 2021, the Group announced the receipt of a \$1.8 million cash refund related to the R&D Tax Incentive, further strengthening the Company's balance sheet. The cash rebate is related to expenditure on eligible Australian and international R&D activities during the 2021 financial year.

## 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 risk 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 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 are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

### Interest Rate Risk

At balance date, the Group had the following mix of financial assets exposed to Australian and US interest rate risk:

	2021 \$000	2020 \$000
<b>Financial Assets</b>		
Cash and Cash Equivalents	19,681	19,663
Restricted Cash, Current and Non-current	74	76
<b>Net Exposure</b>	<b>19,755</b>	<b>19,739</b>

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 2021, 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)	
	2021 \$000	2020 \$000
+1.0% (100 Basis Points)	198	197
-0.5% (50 Basis Points)	(99)	(99)

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

### 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 related to USD, EUR, and GBP resulting from sales activities into the US and Europe.

The Group holds the majority of its funds in the functional currency of the entity where the funds are expected to be spent. Only funds held in the currencies other than an entity's functional currency are considered at risk of foreign currency fluctuations.

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.

Whilst the Group commenced operations in Europe during the prior year, the amounts that are sensitive to foreign currency risk are deemed immaterial, other than the financial assets denoted.

At 30 June 2021, the Group had the following exposure to foreign currency:

	2021 \$000	2020 \$000
<b>Financial Assets</b>		
Cash and Cash Equivalents – USD	64	157
Cash and Cash Equivalents – EUR (i)	62	21
Cash and Cash Equivalents – GBP (ii)	18	14
Trade and Other Receivables – USD	2	2
Trade and Other Receivables – EUR (i)	85	26
	<b>231</b>	<b>220</b>
<b>Financial Liabilities</b>		
Trade and Other Payables – USD	2	10
<b>Net Exposure</b>	<b>229</b>	<b>210</b>

(i) EUR is Euro

(ii) GBP is Great Britain Pound

At 30 June 2021, 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)	
	2021 \$000	2020 \$000
AUD to Foreign Currency + 15% (2020: +15%)	(30)	(27)
AUD to Foreign Currency – 15% (2020: –15%)	99	51

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

- Reasonable possible movements in foreign exchange rates were determined based on 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 reasonable 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.

### 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 securities 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 \$1,500,000 in outstanding term deposits were held at the end of the financial year (2020: \$1,500,000). 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.

### 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 2021.

The table below reflects all contractually fixed payments and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2021.

### Maturity Analysis of Financial Assets

The risk implied from the values shown in the table below, reflects a balance 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.

Year Ended 30 June 2021	≤ 6 months \$000	6 – 12 months \$000	1 – 5 years \$000	Total \$000
Liquid Financial Assets				
Cash and Cash Equivalents	19,681	-	-	19,681
Trade and Other Receivables	3,705	-	-	3,705
Other Financial Assets	-	-	74	74
<b>Subtotal</b>	<b>23,386</b>	<b>-</b>	<b>74</b>	<b>23,460</b>
<b>Financial Liabilities</b>				
Trade and Other Payables	(1,701)	(46)	-	(1,747)
Interest Bearing Lease Liabilities	(157)	(157)	(159)	(473)
<b>Net Flow</b>	<b>21,528</b>	<b>(203)</b>	<b>(85)</b>	<b>21,240</b>

Year Ended 30 June 2020	≤ 6 months \$000	6 – 12 months \$000	1 – 5 years \$000	Total \$000
Liquid Financial Assets				
Cash and Cash Equivalents	19,663	-	-	19,663
Trade and Other Receivables	3,730	-	-	3,730
Other Financial Assets	-	-	77	77
<b>Subtotal</b>	<b>23,393</b>	<b>-</b>	<b>77</b>	<b>23,470</b>
<b>Financial Liabilities</b>				
Trade and Other Payables	(2,280)	(51)	-	(2,331)
Interest Bearing Lease Liabilities	(182)	(182)	(507)	(871)
<b>Net Flow</b>	<b>20,931</b>	<b>(233)</b>	<b>(430)</b>	<b>20,268</b>

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. Restricted cash relates to deposits on office leases.

#### 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 carrying values of assets are consistent with their fair values.

## 28. Significant Accounting Policies

### 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.

### 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.

For assets other than inventory, the impairment triggers used by the Group did not show any indication of impairment as at 30 June 2021. As a result, no impairment loss has been recognised for these assets for this financial period. Refer to Note 12 for the complete details regarding impairment testing.

### 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.

### Inventory Impairment

The Group reviews the value of inventories held to determine if inventories are being held at the lower of cost and net realisable value. This requires a determination by Management of the cost of inventories held and the subsequent recognition of these items as expenses, including any write-down to net realisable value. During the year ended 30 June 2021, there were nil write-downs (2020: \$23,000) to inventory.

### 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.

### Development Costs

Under AASB 138 Intangible Assets, Management must determine the degree to which items are recognised as intangible assets, whether those items are purchased or self-created (at cost). Items are capitalised, as opposed to expensed, if, and only if (1) it is probable that the future economic benefits that are attributable to the asset will flow to the entity and (2) the cost of the asset can be measured reliably and other criteria outlined in respect of development costs are met.

This requires Management to make judgements as to the probability of future economic benefits of development project costs incurred by the Group, as well as to determine when technical and commercial feasibility of the assets for sale of use have been established.

### 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 and judgement 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.

## Directors' Declaration

For the year-ended 30 June 2021:

In accordance with a resolution of the Directors of ImpediMed Limited, we stated that:

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity for the year-ended 30 June 2021 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 2021 and of its performance of 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 the International Financial Reporting Standards as disclosed in Note 1.
- (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

This determination 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 2021.

On behalf of the Board



Scott Ward  
Chairman



Judith Downes  
Director

25 August 2021



**Building a better  
working world**

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

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of ImpediMed Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates the Group incurred a net loss of \$20.7 million during the period ended 30 June 2021 (30 June 2020: \$21.4 million) and is dependent on sufficient cash inflows from operating, debt or capital raising sources. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. Our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

#### Research and development incentive receivable

Why significant	How our audit addressed the key audit matter
<p>As outlined in Note 6 Finance and other income, the Group recognised a research &amp; development (R&amp;D) tax incentive totalling \$1.8m for the year ended 30 June 2021.</p> <p>The matter was considered a key audit matter for the following reasons:</p> <ul style="list-style-type: none"> <li>▶ The R&amp;D tax incentive balance is a significant component of income and cashflow to the Group;</li> <li>▶ As outlined in Note 28 Significant accounting judgments, estimates and assumptions, there is judgment involved in determining: <ul style="list-style-type: none"> <li>▶ whether the R&amp;D tax incentives meet the recognition criteria under applicable tax legislation;</li> <li>▶ the measurement of the rebate in accordance with the Australian Accounting Standards; and</li> <li>▶ the eligibility and appropriateness of the apportionment of eligible expenses based on R&amp;D activities undertaken by the Group.</li> </ul> </li> </ul>	<p>The audit procedures we performed included the following:</p> <ul style="list-style-type: none"> <li>▶ Assessed the mathematical accuracy of the calculation of the Group's claim;</li> <li>▶ On a sample basis, agreed expenses claimed to source documentation, such as payroll information and invoices;</li> <li>▶ Involved our R&amp;D taxation specialists to review the Group's R&amp;D claim and consider the eligibility of activities and expenditure claimed using the incentive requirements;</li> <li>▶ Made enquiries with management and the Group's external professional advisors and reviewed professional advice received by the Group in relation to the validity of the claim;</li> <li>▶ Obtained representations from the Group that the activities are eligible under the self-assessed R&amp;D Tax Incentive criteria, and for a sample of transactions tested the support for the technical and expenditure components of the R&amp;D tax claim; and</li> <li>▶ Assessed the accounting presentation and disclosures in the financial report in accordance with Australian Accounting Standards.</li> </ul>

#### Revenue recognition

Why significant	How our audit addressed the key audit matter
<p>As outlined in Note 5 Revenue from Contracts with Customers, the Group recognised revenue totalling \$8.4 million from the sale of devices and subscription services.</p> <p>The matter was considered a key audit matter for the following reasons:</p> <ul style="list-style-type: none"> <li>▶ The Group has a number of different types of contracts with customers; and</li> <li>▶ as outlined in the revenue recognition policy in Note 5, there is judgement involved in the</li> </ul>	<p>The audit procedures we performed included the following:</p> <ul style="list-style-type: none"> <li>▶ Assessed the application of AASB 15 <i>Revenue from Contracts with Customers</i> including reviewing the contractual terms of the existing, new and modified customer contracts and the application of the requirements of AASB 15;</li> <li>▶ Selected a sample of revenue contracts and assessed whether the different elements within the contract should have been recognised over a</li> </ul>



Why significant	How our audit addressed the key audit matter
<p>determination of the performance obligations which impacts the amount and timing of the recognition of revenue from contracts with customers.</p>	<p>period of time or at a point in time, and when that should have occurred in accordance with AASB 15;</p> <ul style="list-style-type: none"> <li>▶ For a sample of contracts we recalculated the revenue recognised during the year based on the contractual terms and conditions and the revenue recognition policy of the Group; and</li> <li>▶ Assessed the adequacy of the financial report disclosures included in Note 5 to the financial statements.</li> </ul>

### Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**Building a better  
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## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 40 to 60 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of ImpediMed Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.

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

Ernst & Young

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

Jennifer Barker  
Partner  
Brisbane  
25 August 2021

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## 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 31 July 2021.

### (A) DISTRIBUTION OF SHAREHOLDERS

The distribution of Issued Capital is as follows:

Side of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
100,001 and Over	1,213	1,393,446,535	93.37%
10,001 to 100,000	2,261	93,584,623	6.26%
5,001 to 10,000	595	4,788,072	0.32%
1,001 to 5,000	641	2,064,367	0.14%
1 to 1,000	378	112,902	0.01%
<b>Total</b>	<b>5,088</b>	<b>1,493,996,499</b>	<b>100.00%</b>

### (B) DISTRIBUTION OF OPTIONS HOLDERS (excluding employee incentive options)

The distribution of unquoted options on issue to shareholders are: nil

### (C) DISTRIBUTION OF PERFORMANCE RIGHTS HOLDERS

The distribution of unquoted Performance Rights on issue are:

Side of Holding	Number of Holders	Unlisted Performance Rights	% of Issued Capital
100,001 and Over	22	26,082,845	100.00%
1 to 100,000	-	-	-
<b>Total</b>	<b>22</b>	<b>26,082,845</b>	<b>100.00%</b>

### (D) DISTRIBUTION OF EMPLOYEE OPTIONS

The distribution of unquoted options on issue are:

Side of Holding	Number of Holders	Unlisted Options	% of Issued Capital
100,001 and Over	50	60,571,423	99.66%
1 to 100,000	4	209,500	0.34%
<b>Total</b>	<b>54</b>	<b>60,780,923</b>	<b>100.00%</b>

### (E) LESS THAN MARKETABLE PARCELS OF ORDINARY SHARES

There are 1,032 shareholders with unmarketable parcels totaling 2,244,564 shares.

(F) 20 LARGEST SHAREHOLDERS

	Shareholder	Number of Fully Paid Ordinary Shares	% of Issued Capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	149,194,369	9.99%
2	NATIONAL NOMINEES LIMITED	140,309,348	9.39%
3	CITICORP NOMINEES PTY LIMITED	59,690,432	4.00%
4	CS THIRD NOMINEES PTY LIMITED	35,008,638	2.34%
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	29,544,758	1.98%
6	MR GREGORY WAYNE BROWN	25,784,446	1.73%
7	MBA INVESTMENTS PTY LTD	22,794,268	1.53%
8	BNP PARIBAS NOMS PTY LTD	21,599,962	1.45%
9	BNP PARIBAS NOMINEES PTY LTD	19,812,718	1.33%
10	SUNLORA PTY LTD	19,800,000	1.33%
11	MOORE FAMILY NOMINEE PTY LTD	17,500,000	1.17%
12	APEX INVESTMENT MANAGEMENT PTY LIMITED	16,746,385	1.12%
13	PAKASOLUTO PTY LIMITED	14,699,945	0.98%
14	MR GREGORY WAYNE BROWN & MRS STEFANIE BROWN	12,887,740	0.86%
15	BSD PTY LTD	12,250,000	0.82%
16	MR STEPHEN EDWARD MAHNKEN & MRS DIOR LEONE MAHNKEN	11,000,000	0.74%
17	MR HSIEN MICHAEL SOO	10,024,506	0.67%
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	9,760,161	0.65%
19	JONNOLA PTY LTD	8,951,934	0.60%
20	BNP PARIBAS NOMINEES PTY LTD	8,629,206	0.58%
	<b>Total</b>	<b>645,988,816</b>	<b>43.24%</b>
	<b>Total Quoted Equity Securities</b>	<b>1,493,996,499</b>	

(G) UNQUOTED EQUITY SECURITIES

The Group had the following unquoted securities on issue as at 31 July 2021: nil shareholder options, 60,780,923 options and 26,082,845 performance rights issued as part of an incentive scheme.

(H) SUBSTANTIAL SHAREHOLDERS

The names of the Substantial Shareholders listed in the Group's Register as at 31 July 2021:

Shareholder	Number of Fully Paid Ordinary Shares	% of Issued Capital
Allan Gray Australia Pty Limited and its related bodies corporate	132,414,591	8.86%
Paradice Investment Management Ltd	102,899,139	6.89%
National Nominees Ltd ACF Australian Ethical Investment Ltd	86,592,358	5.80%
<b>Total</b>	<b>321,906,088</b>	<b>21.55%</b>

(I) RESTRICTED SECURITIES

The company had no restricted securities on issue as at 31 July 2021.

(J) 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 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.

Performance rights have no voting rights.

(K) ON-MARKET BUY-BACKS

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

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# **ANNUAL REPORT**

FOR THE YEAR ENDED  
30 JUNE 2021

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