IMmedical.

living healthier through innovation

ANNUAL REPORT

2007

IMmedical.

Corporate Information

Company Directors

Mr. Allan Blood
Chairman

Mr. Craig Cook
Non Executive Director

Mr. Tommas Bonvino
Executive Director

Company Secretary

Mr Roman Najdecki

Scientific Advisory Board

Dr Aaron Ginzburg
Dr David Eccleston
Prof Andrew Tonkin
Prof Irena Cosic
Dr Alex Taube
Prof Galen Wagner

Registered Office

Level 12, 484 St Kilda Road
Melbourne VIC 3004
Telephone: +61 3 9860 0900
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Solicitors

Cornwall Stodart Lawyers
Level 10, 114 William Street
Melbourne VIC 3000

Bankers

National Australia Bank
221 Drummond Street
Carlton VIC 3053

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Auditor

PKF Chartered Accountants
Level 14
140 William Street
Melbourne VIC 3000

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chairman's report

Dear Shareholders

On behalf of the board, I am pleased to present the company's annual report for the financial year ended 30 June 2007.

IM Medical has made progress in the past twelve months but not at the pace it would have liked. The clinic environment has been difficult and it is a credit to the company's staff to have secured clinics in Victoria, WA, NSW and Tasmania to come on board to utilise the Intelliheart test to improve the health of chronic patients at those clinics.

The company has supplemented activity in the clinics with the provision of Dietician and Exercise Physiologist consulting to follow up the care plans of the chronically ill clinic patients.

The Intelliheart test has this year been introduced into the workplace arena, providing workers at all levels with the opportunity to be tested for cardiovascular disease. The company believes that as this test becomes more regarded in the workplace, it will provide an additional market going forward.

Whilst our financial position overall is not satisfactory, we anticipate that with our current developments the company will be able to earn sufficient income from our daily activity to be cash flow positive in the near future.

People

During the year Dr Laurie Williams stood down as Chairman and I have re-assumed this role. Dr Williams also resigned as a director and the Board wishes to express its gratitude for his service to the company during a difficult time of establishment of the business.

Recently, Mr. Craig Cook joined the Board. He brings considerable business skills to our operations and I am most grateful to him for his confidence in our future. I also welcome Mr. Tommas Bonvino, our CEO as an executive director. Mr. Bonvino has been appointed for a two year term to take the company into its next stage of commercial development.

Late in 2006, Mr. Peter Wilson stepped down after a short period of service. Dr David Eccleston joined the Board in late 2006, but had to relinquish this role in April 2007 due to a potential conflict with his cardiac practice commitments. He remains a committed member of our Scientific Advisory Board

In April 2007, the Board appointed a number of eminent professional people as its Scientific Advisory Board to assist the Board with any technical matters and to assist the company in the development of its products and services. I thank them for their contribution to date.

Outlook

We have been establishing a medical services company with unique technology. We have the good fortune to be in a part of the market which I expect to grow significantly in the short term. There are exciting things happening with our products, opening up different opportunities both locally and internationally.

Over the last twelve months the Company has developed its service range to the point where it can now go and tackle additional markets outside the traditional clinic environment where it was previously. It is currently working hard to establish itself in the retail environment. It is hoped that this market will bring significant returns in the future.

The company is working closely with Private Health Funds following changes to legislation allowing Private Health Funds to subsidise members for Heart screening tests such as Intelliheart.

The recent acquisition of technology from Cardanal Pty Ltd brings the greatest opportunity to the company in the future. The acquisition has produced two software products which it will be able to release to the global market for medical software.

Finally I wish to thank our patient investors who have watched this company go through its paces. Whilst the past year has not produced wonderful profit results there is no doubt that the Company has developed the service range to the point where it can capitalise on the foundations and acquisition that it has made.

Yours sincerely

Allan Blood
Chairman
27 August 2007

corporate governance statement

The directors and management of IM Medical Limited are committed to ensuring that the Company's business is conducted ethically and in accordance with standards of corporate governance appropriate for its size and complexity. This statement describes the Company's approach to corporate governance.

IM Medical respects and values the rigor of the ASX Principles of Good Corporate Governance and Best Practice Recommendations. Unless otherwise stated below, the Board believes it has been compliant with the spirit of the Corporate Governance Principles and Best Practice Recommendations taking account of its size, complexity and operations. The Board will continually review and monitor developments in respect of corporate governance to ensure compliance with best practice principles.

Role of the Board and Management

The Board has the overall responsibility to shareholders for all governance matters of IM Medical Limited. The Board remains primarily responsible for the strategic direction and financial aspirations of the Company, whilst delegating the responsibilities of management to the Chief Executive Officer and the senior management team. The role of the Board is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole.

The Board's responsibilities are detailed in its Board Charter, but may be summarised as:

- Leadership of the organisation
- Strategy formulation
- Overseeing planning activities
- Shareholder liaison
- Monitoring, compliance and risk management
- Company finances
- Human resources
- Ensuring the health, safety and well-being of Directors, Officers and Contractors
- Delegation of authority
- Remuneration policy
- Nomination policy

Structure and Composition of the Board

The Board has been formed so that it has an effective mix of personnel who are committed to adequately discharge their responsibilities and duties, and be of value to the Company.

The Board believes that the interests of all Shareholders are best served by:

- Directors having the appropriate skills, experience and contacts within the Company's industry.
- The Company striving to have a balance between the overall number of Directors and the number of Directors being independent as defined in the ASX Corporate Governance Guidelines.
- Some major Shareholders being represented on the Board.

The Board regularly reviews its size, structure and composition, taking into consideration the balance of skills, experience and knowledge of members to ensure it continually adds value to the Company.

As at the date of this report, the board comprises of the following members:

Name	Board position	Non executive status	Independent status
Mr. Allan Blood	Chairman	Non Executive	Non independent
Mr. Craig Cook	Director	Non Executive	Independent
Mr. Tommas Bonvino	CEO & Director	Executive	Non independent

Details of the directors as at the date of this report, including their experience, expertise and term of office are set out in the Directors' Report.

Independence

The Board regards a director to be independent if they are in a Non Executive Director capacity and are free from any business or other relationship that could compromise their ability to act in the best interests of the Company. Such a situation will occur if they are a not substantial shareholder. Substantial shareholder is defined to be a person or company that has an interest of 5% or more in the voting rights of the Company.

If a conflict of interest does arise, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is being considered. Directors must keep the Board advised, on an ongoing basis, of any interests that could possibly conflict with those of the Company. Directors are required to promptly disclose to the Board interests in contracts, other directorships or offices held, possible related party transactions and sale/purchases of the Company's securities.

The Board has reviewed the position of all current directors in light of the Company's definition of independence. Whilst there is not a majority of independent directors and the Chairman's role is not independent, this has been considered appropriate for the Company given its size and early growth phase. The Board believes the benefits that this has provided to the Company's development have negated any perceived lack of independence.

At this time, the Company believes the balance between independent and not independent directors is appropriate to ensure the interests of shareholders are safeguarded and the high standards of corporate governance are maintained. The Board remains committed to evaluating and attracting appropriate independent directors with the necessary skills and experience.

The Company does not have a Nomination or Remuneration Committee because it is deemed to be more efficient to have the Full Board consider such matters in a broader context of the overall operations.

Independent professional advice

Non Executive Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Company's expense. The Chairman's prior approval of any expenditure is required; however, this will not be unreasonably withheld.

Ethical and Responsible Decision-Making

As part of the Company's commitment to recognising the legitimate interests of stakeholders, the established Code of Conduct continues to guide compliance with legal and other obligations to legitimate stakeholders and a copy is available on the company's website.

The Company has a share trading policy that regulates the dealings by Directors, Officers and Employees, in shares, options and other securities issued by the Company and a copy is available on the company's website. The policy has been formulated to ensure that Directors, Officers, Employees and Consultants who work on a regular basis for the Company are aware of the legal restrictions on trading in Company securities while in possession of unpublished price-sensitive information.

Integrity of Financial Reporting

The Company has put in place controls designed to safeguard the Company's interests and to ensure the integrity of its reporting. These controls aim to ensure that the Company complies with all regulatory requirements and community standards.

Both the Chief Executive Officer and Chief Financial Officer are required to state in writing to the Board that:

(a) the Company's financial report represents a true and fair view, in all material respects, of the group's financial condition and operational results and are in accordance with relevant Accounting Standards;

(b) the statement in (a) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and that

(c) the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Company's financial report is subject to an annual audit by an independent professional auditor who also reviews the Company's half yearly financial report. The Audit, Risk & Compliance Committee oversees this process on behalf of the Board. During the year, the Audit, Risk & Compliance Committee did not meet the Best Practice Recommendations of an audit committee that comprises only non executive directors, the majority of which will be independent directors. The Committee comprised of two directors and the Chief Financial Officer and was lead by an independent Chairman who was not the Chairman of the Board.

During the 2007 year the Committee comprised of Mr. Peter Wilson (Committee Chairman, independent non executive director), and Mr. Allan Blood (independent non executive director) and Roman Najdecki, the Chief Financial Officer. Since the departure of Mr. Peter Wilson from the Company on 29 December 2006, Mr. Craig Cook is the newly appointed Committee Chairman.

Whilst the current composition of the Audit Committee does not meet all of the Best Practice Recommendations of the ASX, the Committee does comprise of (2) directors and is led by a Chairman who is not the Chairman of the Board.

The Committee meets at a minimum, on a six monthly basis to review and consider the half-year and full year financial report of the Company. The Company's auditors are actively involved in these meetings. The Directors' Report contains further details on Committee Members skills and qualifications, together with details of meeting attendance.

Timely and Balanced Disclosure

The Board has designated the Company Secretary, as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information concerning the Company:

a) That a reasonable person would or may expect to have a material effect on the price or value of the Company's securities; and

b) That would, or would be likely to influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Rights of Shareholders

The Company respects the rights of its Shareholders, and to facilitate the effective exercise of the rights, the Company is committed to:

- Communicating effectively with Shareholders through ongoing releases to the market via ASX information, and the General Meetings of the Company;
- Giving Shareholders ready access to balanced and understandable information about the Company and Corporate Proposals;
- Making it easy for Shareholders to participate in General Meetings of the Company; and
- Requesting the External Auditor to attend the Annual General Meeting and be available to answer Shareholder's questions about the conduct of the audit, and the preparation and content of the Auditor's Report.

The Company website at www.immedical.com.au makes available to shareholders current information about the Company with contact details where inquiries may be directed to.

Recognise and Manage Risk

The Audit, Risk & Compliance Committee has established a policy for risk oversight and management within the Company. This is periodically reviewed and updated.

The CEO and CFO have given a statement to the Board that:

a) In accordance with 'Best Practice Recommendation 4.1', the Financial Statements are founded on a sound system of risk management and internal compliance and control which implements the Policies adopted by the Board; and

b) The company's risk management and internal compliance and control system, in so far as it relates to financial risk, is operating effectively in all material respects.

Encourage Enhanced Performance

The Company monitors and evaluates the performance of its Board, Board Committees, individual directors and key executives in order to fairly review and actively encourage enhanced board and management effectiveness.

Remunerate Fairly and Responsibly

The Company has not adopted a Nomination or Remuneration Committee as it deemed the Full Board of the Company is a more efficient mechanism to administer the Company's remuneration policy than a committee.

The Board is responsible for:

- Setting the remuneration and conditions of service of all Executive and Non Executive Directors, Officers and Employees of the Company;
- Approving the design of Executive & Employee incentive plans (including equity-based plans and options) and proposed payments or awards under such plans;
- Reviewing performance hurdles associated with incentive plans;
- Making recommendations to the Board on the remuneration of Non Executive Directors within the aggregate approved by Shareholders at General Meetings from time to time;
- Consulting appropriately qualified Consultants for advice on remuneration and other conditions of service;
- Succession planning for the CEO and Senior Executive Officers; and
- Performance assessment of the CEO and Senior Executives.

The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with 'Best Practice' as well as supporting the interests of Shareholders. Senior Executives receive a remuneration package based on fixed and variable components, determined by their position and experience. Shares and/or Options may also be granted based on an individual's performance and subject to approval by Shareholders.

Non Executive Directors are paid their fees out of the maximum aggregate amount approved by Shareholders for the remuneration of Non Executive Directors. Non Executive Directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior Shareholder approval.

Legitimate Interests of Stakeholders

The Board acknowledges the legitimate interests of various stakeholders such as Employees, Clients, Customers, Government Authorities, Creditors and the Community as a whole. As a good Corporate Citizen, it encourages compliance and commitment to appropriate corporate practices that are fair and ethical via its 'Code of Conduct Policy'.

directors' report

The directors of IM Medical Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2007.

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the Company during or since the end of the financial year are:

Mr. Allan Blood
Chairman and Non Executive Director (appointed 12 October 2004)

Mr Blood has substantial project management and company development experience in Australia and overseas.
Mr Blood has held a number of Chairman positions for engineering, resources and mining companies. Mr Blood is current Chairman of Australian Energy Limited, a company that pursues gas to liquids projects with related low emission electricity production, using coal as the feedstock.

Mr Blood is a Non Executive Director and is a Member of the Company's Audit, Risk & Compliance Committee. Within the last 3 years before the financial year ended 30 June 2007, Mr. Blood was appointed as director of MKY Limited, a listed company, in 2007.

Mr. Craig Cook
Non Executive Director (appointed 29 December 2006)

Mr. Cook brings with him extensive experience in governance and risk management issues and an in depth knowledge of the machinery of government. Craig is currently a director of the Goulburn Murray Rural Water Authority and the Rural Finance Corporation of Victoria.

Mr. Cook, who was Manager of Corporate Relations at Rio Tinto Limited, holds other directorships with Australian Cricket Bat Willow Plantation Management Services Limited, Goulburn Ovens Institute of TAFE and Carlton Cricket Club Limited. Mr. Cook has held no listed company directorships within the last 3 years before the financial year ended 30 June 2007.

Mr. Tommas Bonvino
CEO and Executive Director (appointed 20 April 2007)

Mr. Bonvino has more than 25 years experience in consumer marketing and product development. He has managed companies for Italian, German and French firms, distributing and marketing goods through South-East Asia. Tommas has built strong bilateral trade relationships between Australia and Italian companies in the technology, food, wine and fashion sectors. He is Vice President of the Italian Chamber of Commerce.

Tommas joined IM Medical in 2006 and has spearheaded the strategic review which has led to significant expansion of the IM Medical business. He has held no listed company directorships within the last 3 years before the financial year ended 30 June 2007.

Dr David Eccleston
Non Executive Director (appointed 29 December 2006, resigned 20 April 2007)

Dr Eccleston brings with him extensive experience in the field of Cardiology. He is currently a member of the company's Medical Advisory Board. Dr. Eccleston is currently a visiting cardiologist at several major Melbourne hospitals including Royal Melbourne Hospital and Epworth.

He is currently a member of the company's Scientific Advisory Board. Dr Eccleston has held no listed company directorships within the last 3 years before the financial year ended 30 June 2007.

Mr. Peter Wilson AM
Non Executive Director (appointed 1 July 2006, resigned 29 December 2006)

Mr. Wilson has a broad range of government and business experience. Mr Wilson has recently retired from Amcor Limited after 7 years as Executive General Manager, Human Resources and Operating Risk. Earlier roles included Chief Executive Officer & Managing Director of Stratus Networks/Energy 21 Group; Group General Manager of ANZ Bank; and Director General of the Department of Industry, Technology and Resources for the State Government of Victoria.

Mr Wilson is Chairman of Hospitality HQ Group, President of Australian Human Resources Institute Limited and a Director of NSC Australia Limited.

Mr Wilson was an independent Non Executive Director and was Chairman of the Company's Audit, Risk & Compliance Committee. Mr Wilson held no listed company directorships within the last 3 years before the financial year ended 30 June 2007.

Dr Laurie Williams MBBS
FRCOG FRANZCOG FAICD
Previous Executive Chairman and Managing Director (appointed 21 April 2005, resigned 23 March 2007)

Dr Laurie Williams is a Specialist Medical Practitioner and Fellow of the Australian Institute of Company Directors. Dr Williams has extensive experience in managing successful medical practices, writing and implementing medical based software systems, developing large scale monitoring systems in public hospitals, commercialising software systems and building strong teams for product roll outs.

Dr Williams was an Executive Director and was a Member of the Company's Audit, Risk & Compliance Committee. Dr Williams has held no listed company directorships within the last 3 years before the financial year ended 30 June 2007.

Company Secretary

Mr. Roman Najdecki
B Comm CPA ACIS
Company Secretary & Chief Financial Officer (appointed 13 November 2006)

Mr. Najdecki is a CPA with a strong background in accounting and finance within a small cap listed company environment. He has an extensive Australian commercial financial background, with almost 25 years experience in senior finance roles in a number of industries, covering manufacturing, distribution, consulting and biotechnology. Previously he has been CFO / Company Secretary of small cap ASX listed companies Lowan Australia Limited and Iatia Limited. Member of the Chartered Institute of Company Secretaries in Australia.

Principal activities

The consolidated entity's principal activity in the course of the financial year was the advancement of human health through innovative prevention and management of cardiovascular and other life threatening diseases. This was delivered through the Company's Intelliheart system as a new approach to the assessment and management of cardiovascular disease and the delivery of new chronic disease management services to achieve better health outcomes for chronically ill patients. There were no significant changes in the nature of the consolidated entity's principal activity during the financial year.

Dividends

No amounts have been paid, declared or recommended by the Company by way of dividend since the commencement of the financial year (2006: Nil).

Review and results of operations

In preparing the Review of Operations, the directors have omitted material that would otherwise have been included under s.299A(1)(c) concerning the consolidated entity's business strategies and prospects for future financial years, as they believe it is likely to result in unreasonable prejudice to the consolidated entity or any entity that is part of the consolidated entity.

(a) Overview

The objective of the consolidated entity is to create sustained shareholder value by advancing human health through the delivery of innovative prevention and management of cardiovascular and other life threatening diseases.

Management and the Board monitor the group's overall performance, from its implementation of the mission statement and strategic plan through to the performance of the company against operating plans and financial budgets. Key performance indicators have been identified and are used to monitor performance regularly, such that appropriate action can be taken to address any performance issues.

(b) Review and results of operations

The current year loss of $3.187 million (2006: loss of $3.192 million) is reflective of the operating expenditure to commercialise and rollout the Intelliheart device into the market place. Acquisition costs for the Cardanal technology of approximately $590,000 and further development costs of $170,000 for the Cardanal Predictive Index, have contributed significantly to the current year loss. The establishment of relationships with GP clinics has laid a foundation for a market presence that, under current management plans, will continue to grow in momentum and level of activity. The task ahead undoubtedly remains being focused on the creation of new markets outside the clinical space for the use of the Intelliheart device, as a unique technique in the assessment and management of cardiovascular and other life threatening diseases.

The Company has invested in new technology such as the intellectual property of Cardanal Pty Ltd. This investment will likely lead to the development of additional products and resultant revenue streams globally. The new technology has also enhanced the Intelliheart test and will significantly change the way ECG machines are being used around the world.

The management has been able to introduce Intelliheart into the retail environment having secured an exclusive distribution arrangement with Sigma Pharmaceutical Limited's national chain of pharmacies. This will greatly enhance the Company's future income stream as well as ensuring that Australians have ready access to the benefits that the Intelliheart test provides.

(c) Details of investments for future performance

Investment in plant and equipment continues to be the most significant capital expenditure in the current year in the building of portable Intelliheart devices that will promote greater utilisation of the device and have an increased capacity to service more site locations. The benefits from this investment are expected to contribute to the revenue growth in financial year 2008 and the years thereafter. The investments made will allow the Company to service greater market segments that have differing service needs.

The Company expects to produce more free standing Intelliheart devices into portable devices to cope with the growth in clinic numbers utilizing the Intelliheart system. At this stage, the level of capital commitment is dependant upon the level of business activity and this will be reviewed on an ongoing basis. At this point in time, it is not possible to accurately estimate the level of expected capital expenditure, however, when a reliable cost estimate is known, the appropriate details will be advised.

(d) Review of financial conditions

In the first half of the financial year, the company completed a share placement of $1,560,000 (before costs) to sophisticated investors, the proceeds of which were received in November 2006. This share placement was approved by shareholders at the General Meeting held on 1st May 2007.

Since the report date, in August 2007, a second capital raising was undertaken with a share placement to sophisticated and institutional investors. This enabled the company to raise $ 3,120,000 (before costs). The raising of this additional funding will provide further working capital for the company to continue with implementing its business model with specific focus on the commercial rollout of the Intelliheart system to new and existing markets - both local and overseas; the provision of additional resources in the areas of sales and marketing; and to continue to progress the development and global rollout of the newly acquired Cardanal technology.

(e) Risk management and corporate governance practices

The Board has delegated to the Audit, Risk and Compliance Committee responsibility for overseeing the implementation of policies and procedures aimed at ensuring that the consolidated entity conducts its operations in a manner that manages risk to protect its people, the environment, the consolidated entity assets and reputation as well as to realise opportunities. The Company's policy is to consider the balance of risk and reward, as far as practicable, in order to optimise the returns gained from its business activities and to meet the expectations of its shareholders.

Change in the state of affairs

During the financial year, there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent events

On 3 August 2007, the Company received $900,000 from Farcam Pty Ltd, which exercised 30,000,000 unlisted options at an exercise price of $0.03.

On 7 August 2007, the Company issued 120,000,000 ordinary shares, at 2.6 cents per share, for a consideration of $3,120,000 as part of a share placement to Sophisticated and Institutional investors. On 8 August 2007 the company received $50,000 from shareholders who exercised 2,500,000 unlisted options at an exercise price of $0.02.

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental regulation and performance

The Company is involved in medical research and development in the advancement of human health, and the activities of the Company do not create any significant environmental impact. The Company's medical research activities are in full compliance with all prescribed environmental regulations.

Share options

As at the date of this report, there were 68,500,000 unissued ordinary shares of IM Medical Limited under options as follows:

(a) Listed

- 62,500,000 options exercisable on or before 31 December 2008 at a price of $0.04 per option; held by 115 option-holders.

(b) Unlisted

- 6,000,000 options exercisable on or before 31 December 2008 at a price of $0.02 per option; held by 3 option-holders.

Shares issued as a result of the exercise of options

During the year ended 30 June 2007, a total of 15,000,000 (2006: nil) fully paid ordinary shares were issued by IM Medical Limited as a result of exercised options for a consideration of $150,000 (2006: $nil). Since balance date a total of 32,500,000 fully paid ordinary shares were issued by IM Medical Limited as a result of exercised options for a consideration of $950,000. No amounts are unpaid on any of these shares.

Indemnification and insurance of directors and officers

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, and all the executive officers of the company and of any related body corporate against liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the company or any related body corporate against a liability incurred as such an officer.

Directors' meeting

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, there were 11 Board meetings and 2 Audit, Risk and Compliance Committee meetings held.

Director	Board meeting		Audit, Risk & Compliance Committee	
	Held	Attended	Held	Attended
A. Blood (appointed 12 October 04)	11	11	2	1
C.Cook (appointed 29 December 06)	6	6	1	1
T.Bonvino (appointed 20 April 07)	2	2	-	-
L.Williams (appointed 21 April 06,resigned 23 March 07)	8	7	1	-
D.Eccleston (appointed 29 December 06,resigned 20 April 07)	4	4	-	-
P. Wilson (appointed 1 July 06, resigned 29 December 06)	5	5	1	1

Director's shareholding

The following table sets out each director's relevant interest in shares or options in shares of the Company or a related body corporate as at the date of this report.

Director	Ordinary shares	Options over ordinary shares
A Blood	113,887,874	11,645,400
T.Bonvino	20,000,000	-
C.Cook	100,000	-

remuneration report

This report outlines the remuneration arrangements in place for directors and executives of IM Medical Limited.

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To that end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Focus on creating sustained shareholder value;
- Significant portion of executive remuneration "at risk", dependent upon meeting predetermined performance benchmarks; and
- Differentiation of individual rewards commensurate with contribution to overall results and according to individual accountability, performance and potential.

During the year, a review of the reward structures has been conducted against the backdrop of these philosophies and against the Company's growth strategies and corporate governance principles. As a result, a number of changes are planned to be incorporated into future remuneration arrangements for both new and existing directors and executives.

In the absence of a specific Remuneration Committee, the Board of Directors accepts direct responsibility for determining and reviewing compensation arrangements for the directors, chief executive officer (CEO) and the senior management team. The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration structure

In line with best practice corporate governance, the structure of non executive director, executive director and senior manager remuneration is separate and distinct.

Non executive director remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 25 November 2004 when shareholders approved an aggregate remuneration of $250,000.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers any advice received from external consultants as well as the fees paid to non executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company and is entitled to be paid an additional fee for each Board Committee on which the director sits. The entitlement to the additional fees for serving on a committee recognises the additional time commitment required by directors in discharging their responsibilities to the board.

Senior management and executive director remuneration

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the company; and
- Ensure total remuneration is competitive by market standards.

The executive remuneration program is designed to support the Company's reward philosophies and to underpin the Company's growth strategy. The program comprises the following components:

- Fixed remuneration component
- Variable remuneration component including short term incentive (STI) and long term incentive (LTI)

Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Variable remuneration – short term incentive (STI)

The objective of the STI program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Company is reasonable.

Actual STI payments granted to each senior manager depend on the extent to which specific operating targets set at the beginning of the year are met. The operational targets consists of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance. Typically included are measures such as contribution to revenue, net profit after tax, customer service, risk management, product management, leadership and team contribution. The Company has predetermined benchmarks which must be met in order to trigger payments under the short term incentive scheme.

On an annual basis, after consideration of performance against KPIs, an overall performance rating for the Company is approved by the Board. The individual performance of each executive is also rated and taken into account when determining the amount, if any, of the short term incentive pool allocated to each executive. The aggregate of annual STI payments available for executives across the Company are usually delivered in the form of a cash bonus. In the 2007 year, no payments have been made (2006: nil) under the STI program.

Variable remuneration – long term incentive (LTI)

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against relevant long term performance hurdle. LTI grants to executives are delivered in the form of options or shares. In the 2007 year, no issue of options or shares has been made (2006: nil) under the LTI plan.

Contract of employment

The Company has engaged the services of Mr Bonvino as CEO under a letter of appointment. Summary of key terms of this letter of appointment are

- Term is 2 years;
- Base salary of $240,000 plus statutory superannuation increasing by CPI or by agreement, on the anniversary of contract;
- Right to be issued up to 15,000,000 ordinary shares on the achievement of certain milestones, applicable to the first year only;
- Terminable by either party on 6 months' notice; and
- Entitlement to be issued 10,000,000 ordinary shares if employment is terminated by the Company, except if summarily dismissed

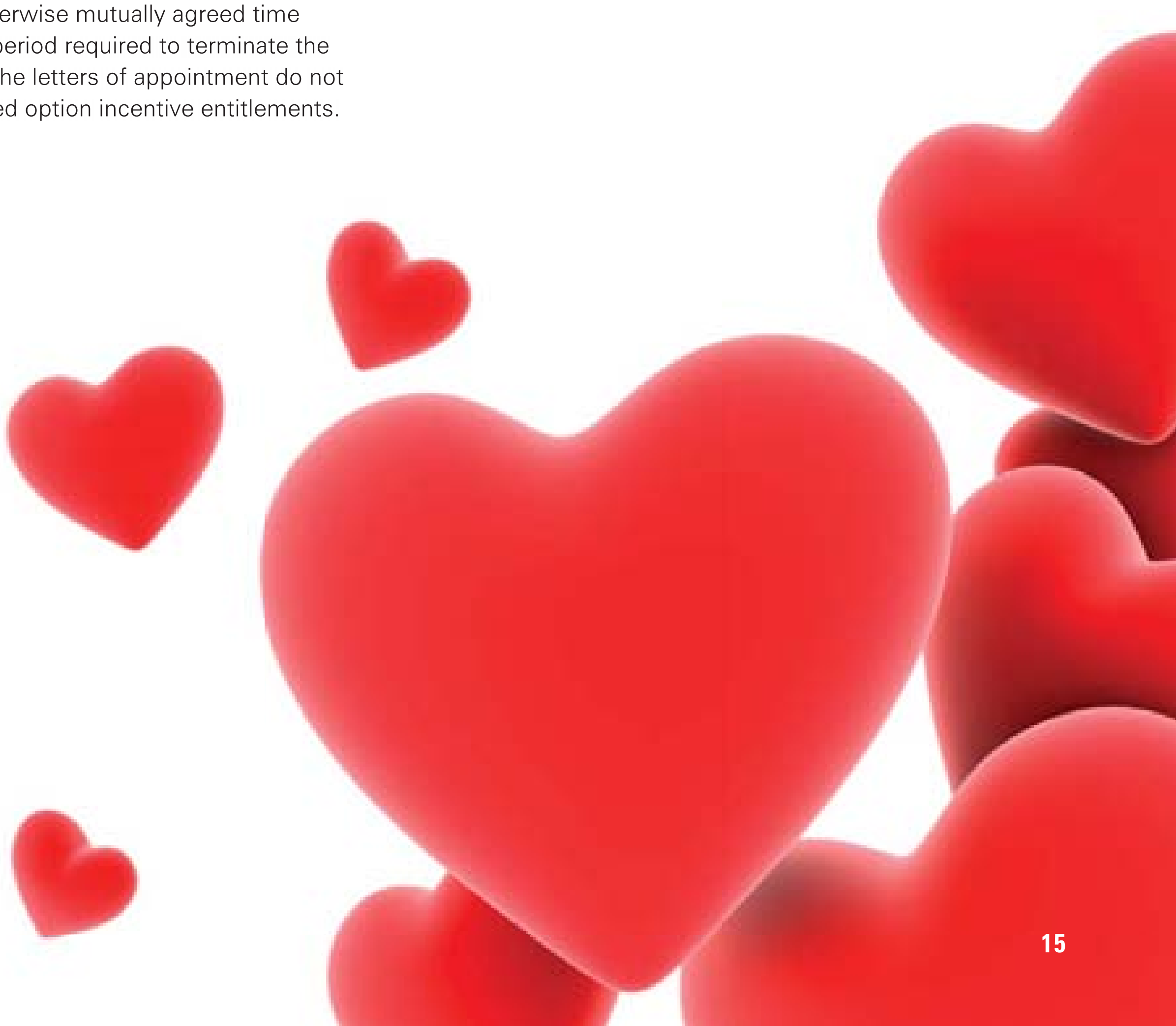
All other executives of the Company are employed under a letter of appointment with a minimum 1 month (or otherwise mutually agreed time period) notice period required to terminate the appointment. The letters of appointment do not contain specified option incentive entitlements.

Key management personnel

(a) Details of key management personnel

Names and positions held of key management personnel in office at any time during the financial year are:

- Tommas Bonvino (Executive Director), CEO, appointed 20 April 2007.
- Laurie Williams (Executive Director), Managing Director resigned on 23 March 2007
- Lincoln Tong (Chief Financial Officer and Company Secretary),resigned 15 September 2006
- Roman Najdecki (Chief Financial Officer and Company Secretary),appointed 13 November 2006
- Dr Aaron Ginzburg (Chief Scientific Officer) appointed 5 March 2007.



The compensation of each member of the key management personnel of IM Medical for the current year is set out below.

	Short term employee benefits			Post employment benefits	Other long term benefits	Share based payment	Total
2007	**Salary & fees**	**Non – Monetary**	**Other Cash Benefits**	**Superannuation**		**Shares**	
	$	**$**	**$**	**$**	**$**	**$**	**$**
Non Executive Directors							
A Blood	47,593	-	-	3,096	-	-	50,689
J Ries	7,646	-	-	688	-	-	8,334
C Cook	25,000	-	-	-	-	-	25,000
P Wilson	7,646	-	-	17,354	-	-	25,000
D Eccleston	-	-	-	8,333	-	-	8,333
Total	**87,885**	**-**	**-**	**29,471**	**-**	**-**	**117,356**
Executive officers							
T.Bonvino	20,000	7,133	23,393	1,800	-	-	52,326
L Williams	144,312	6,325	-	11,863	-	-	162,500
L.Tong	39,318	-	-	3,200	-	-	42,518
R.Najdecki	95,000	-	-	5,625	-	-	100,625
A.Ginzburg (a)	58,615	-	500,000	5,275	-	-	563,890
Total	**357,245**	**13,458**	**523,393**	**27,763**	-	-	**898,466**
2006							
Non Executive Directors							
A Blood	45,872	-	-	4,128	-	-	50,000
J Ries	45,872	-	-	4,128	-	-	50,000
Total	**91,744**	**-**	**-**	**8,256**	**-**	**-**	**100,000**
Executive officers							
L Williams	165,138	-	-	14,862	-	-	180,000
L.Tong	147,124	-	-	13,241	-	-	160,365
Total	**312,262**	-	-	**28,103**	-	-	**340,365**
							440,365

(a) During the year, Aaron Ginzburg, as Chief Scientific Officer, was paid an employment sign-on fee of $500,000 paid in two installments, resulting from the acquisition of the intellectual property from Cardanal Pty Ltd.

Employees

The consolidated entity employed 6 employees as at 30 June 2007 (2006: 8 employees).

Proceedings on Behalf of Company

No person has applied for leave of the Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non-audit services

The directors are satisfied that the provision of non-audit services during the year, by the auditor (or any person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors' reasons for being satisfied that the provision of the non-audit services did not compromise the auditor independence requirements of the Act are:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 6 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 18 of the financial report.

Signed in accordance with a resolution of the directors made pursuant to s298 (2) of the Corporations Act 2001.

On behalf of the Directors

Allan Blood
Chairman
Melbourne, 27 August 2007

PKF

Chartered Accountants
& Business Advisers

IMME01/AUD

27 August 2007

The Directors
IM Medical Limited
Level 12
484 St Kilda Road
MELBOURNE VIC 3004

Dear Sirs

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of IM Medical Limited for the year ended 30 June 2007 and in accordance with Section 307C of the Corporations Act 2001, I declare that, 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 IM Medical Limited and the entities it controlled during the year.

Yours faithfully
PKF

D J Garvey
Partner

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF IM MEDICAL LIMITED

PKF

Chartered Accountants
& Business Advisers

Scope

We have audited the accompanying financial report of IM Medical Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of key management personnel ("remuneration disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures under the heading "remuneration report" within the directors' report on pages 14 to 16 and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of IM Medical Limited on 27 August 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion the financial report of IM Medical Limited is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date;
(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
(c) the remuneration disclosures that are contained within the remuneration report of the directors' report comply with Accounting Standard AASB 124.

PKF

PKF
Chartered Accountants

David Garvey

D J Garvey
Partner

28 August 2007, Melbourne

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

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director's declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto, are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and Corporations Regulations 2001 and give a true and fair view of the financial position and performance of the company and of the consolidated entity; and

(c) the directors have been given declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s295 (5) of the Corporations Act 2001.

On behalf of the Directors

Allan Blood
Chairman
Melbourne, 27 August 2007

Income Statement for the financial year ended 30 June 2007

	Notes	Consolidated		Company	
		2007 $	2006 $	2007 $	2006 $
Revenue from continuing operations	2	1,232,987	594,207	551,226	99,545
Depreciation, amortisation and impairment	3	(288,763)	(173,260)	(3,686,833)	451,365
Facility equipment expenses		-	(13,306)	-	-
Corporate administration	3	(484,861)	(584,052)	(342,413)	(221,123)
Travel and entertainment		(133,428)	(49,054)	(15,388)	(2,676)
Office occupancy and administration		(233,899)	(128,254)	(182,952)	(79,101)
Consultancy fees		(1,444,513)	(1,254,050)	(63,762)	(644,818)
Director expenses		(295,397)	(101,154)	(295,397)	(101,154)
Employee benefits		(1,211,789)	(1,236,741)	(1,211,789)	(414,008)
Marketing & promotion		(114,200)	(163,305)	(20,248)	(80,630)
Research & development		(210,601)	-	(184,244)	-
Finance costs	3	(4,811)	(1,355)	(4,029)	-
Other expenses		4,584	(93,005)	9,134	(91,478)
(Loss) before income tax		(3,184,691)	(3,203,329)	(5,446,695)	(1,084,078)
Income tax (expense)/benefit	4	(2,408)	10,844	2,556	6,303
Net (loss) attributable to members of the company		(3,187,099)	(3,192,485)	(5,444,139)	(1,077,775)
Basic earnings (loss) per share (cents per share)	17	(0.35)	(0.57)		
Diluted earnings (loss) per share (cents per share)	17	(0.35)	(0.57)		

The accompanying notes form part of these financial statements.

Balance Sheet as at 30 June 2007

	Notes	Consolidated		Company	
		2007 $	2006 $	2007 $	2006 $
Current assets					
Cash and cash equivalents	25(a)	282,698	2,433,502	238,872	2,296,623
Trade and other receivables	7	508,373	99,327	398,331	25,085
Total current assets		**791,071**	**2,532,829**	**637,203**	**2,321,708**
Non current assets					
Trade and other receivables	8	-	-	1,700,000	2,274,924
Other financial assets	9	-	-	100	100
Property, plant and equipment	10	1,239,532	899,292	243,760	73,485
Intangible assets	11	1,664,200	-	-	-
Deferred tax assets	4	16,031	18,438	13,781	11,224
Total non current assets		**2,919,763**	**917,730**	**1,957,641**	**2,359,733**
Total assets		**3,710,834**	**3,450,559**	**2,594,844**	**4,681,441**
Current liabilities					
Trade and other payables	12	430,136	757,702	155,486	585,094
Borrowings	13	31,778	2,432	29,346	-
Provisions	14	22,435	17,192	22,435	7,414
Total current liabilities		**484,349**	**777,326**	**207,267**	**592,508**
Non current liabilities					
Borrowings	13	115,634	7,283	110,783	-
Total non current liabilities		**115,634**	**7,283**	**110,783**	**-**
Total liabilities		**599,983**	**784,609**	**318,050**	**592,508**
Net assets		**3,110,851**	**2,665,950**	**2,276,794**	**4,088,933**
Equity					
Issued capital	15	9,490,435	5,858,435	9,490,435	5,858,435
Accumulated losses	16	(6,379,584)	(3,192,485)	(7,213,641)	(1,769,502)
Total equity		**3,110,851**	**2,665,950**	**2,276,794**	**4,088,933**

The accompanying notes form part of these financial statements.

Statement of Recognised Income and Expense for the financial year ended 30 June 2007

	Notes	Consolidated		Company	
		2007 $	2006 $	2007 $	2006 $
Net income recognised directly in equity		-	-	-	-
Loss for the period		(3,187,099)	(3,192,485)	(5,444,139)	(1,077,775)
Total recognised loss for the period (attributable to equity holders of the parent)		**(3,187,099)**	**(3,192,485)**	**(5,444,139)**	**(1,077,775)**

The accompanying notes form part of these financial statements.

Cash Flow Statement for the financial year ended 30 June 2007

	Notes	Consolidated		Company	
		2007 $	2006 $	2007 $	2006 $
Cash flows from operating activities					
Receipts from customers		976,668	467,913	-	-
Payments to suppliers and employees		(4,335,038)	(2,645,471)	(2,524,136)	(793,247)
Interest received		127,845	24,856	118,401	23,445
Interest paid		(12,495)	(1,355)	(9,345)	-
Net cash flows used in operating activities	25(c)	(3,243,020)	(2,154,057)	(2,415,080)	(769,802)
Cash flows from investing activities					
Payment for business	25(b)	-	(10,500)	-	-
Payment for property, plant and equipment		(468,805)	(285,968)	(111,721)	(4,084)
Payment for Intangibles		(64,200)	-	-	-
Payment for other financial assets		-	-	-	(100)
Amounts advanced to related parties		-	-	(1,158,604)	(1,738,621)
Net cash flows used in investing activities		(533,005)	(296,468)	(1,270,325)	(1,742,805)
Cash flows from financing activities					
Proceeds from issue of shares		1,910,000	4,300,000	1,910,000	4,300,000
Capital raising costs		(78,000)	(235,000)	(78,000)	(235,000)
Repayment of borrowings		(31,779)	(2,149)	(29,346)	-
Amount advanced to borrower		(175,000)	-	(175,000)	-
Net cash flows from financing activities		1,625,221	4,062,851	1,627,654	4,065,000
Net (decrease)/increase in cash held		(2,150,804)	1,612,326	(2,057,751)	1,552,393
Cash at beginning of the year		2,433,502	821,176	2,296,623	744,230
Cash at the end of the year	25(a)	**282,698**	**2,433,502**	**238,872**	**2,296,623**

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Summary of significant accounting policies

This financial report for the year ended 30 June 2007 was authorised for issue by the directors on 27 August 2007.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Australian Accounting Interpretations, and complies with other requirements of the law.

Basis of accounting

The financial report has been prepared on the basis of historical cost, and except where stated, does not take into account changing money values or fair values of non current assets.

The financial report has been prepared on a going concern basis which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business and at the amounts stated in the financial report. IM Medical Limited is a public company limited by shares. The financial report is presented in Australian dollars. IM Medical Limited was incorporated in Australia and is the parent entity whose shares publicly trade on the ASX. The financial report covers both IM Medical limited as an individual entity and IM Medical Limited and its controlled entities as a group of entities.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies have been consistently applied unless otherwise stated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 19 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits/losses arising within the consolidated entity are eliminated in full.

(b) Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

(c) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. Receivables from related parties are recognised and carried at the nominal amount due.

(d) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Impairment testing is performed annually for goodwill, and intangible assets with indefinite lives. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(e) Plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment and is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its estimated useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

The following depreciation rates are used in the calculation of depreciation:

Depreciation rates are:	2007	2006
Leasehold improvements	7% to 20%	7% to 10%
Computer equipment	25% to 40%	25% to 40%
Plant and equipment	5% to 30%	5% to 25%
Equipment under lease	7.5% to 15%	7.5%

(f) Investment in subsidiaries

In the separate financial statements of IM Medical Limited, investments in subsidiaries that are not classified as held for sale or included in a disposal group classified as held for sale are accounted for at cost.

(g) Trade and other payables

Trade payables and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(h) Interest bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(i) Issued capital

Ordinary issued capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services – Revenue from the rendering of services is recognised in the income statement when the service is performed and there are no unfulfilled service obligation that will restrict the entitlement to receive the sales consideration.

Interest - Control of the right to receive the interest payment. Dividends - Control of the right to receive the dividend payment.

(k) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base for those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the assets and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company and its wholly owned Australian resident entities are part of a tax consolidated group formed on 21 September 2004 under Australian taxation law. IM Medical Limited is the head entity in the tax consolidated group. Tax expense/income, deferred tax assets and deferred tax liabilities arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the company (as head entity in the tax consolidated group).

Due to the existence of a tax funding arrangement and a tax sharing agreement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the company. Details regarding the tax funding arrangement are disclosed in note 4. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(l) Employee entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

(m) Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit/loss attributable to equity holders of the company for the financial period, after excluding any costs of servicing equity (other than ordinary shares) by the weighted average number of ordinary shares of the company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with the dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares of the Company adjusted for any bonus issue.

Where a net loss is made for the period, basic EPS and diluted EPS are the same, because, the inclusion of options in the earnings per share calculations does not result in further dilution.

(n) Intangible assets

Intellectual Property

Intellectual Property is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful life. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes being recognised as a change in accounting estimate. At 29 June 2007, the company acquired the Cardanal intellectual property as disclosed in note 11. At 30 June 2007, there is no amortisation expense as the acquisition occurred at year end and directors are formulating an estimate of its useful life.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred. An intangible asset arising from development is recognised if, and only if, all of the following are demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial, and other resources to complete the development and use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(o) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful life where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(p) Share based payments

Equity settled share based payments granted after 7 November 2002 that were unvested as of 1 January 2005 are measured at fair value at the date of grant. Fair value is measured by use of the black-scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

For cash settled share based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(q) Critical accounting estimates and judgements

In the application of Australian Accounting Standards, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

Judgments made in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable in the relevant notes to the financial statements.

(r) New accounting standards and interpretations not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 7 Financial Instruments:

Disclosures, Revised AASB 101 Presentation of Financial Statements, and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7, Revised AASB 101, and AASB 2005-10 are applicable to reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments and financial statements.

(ii) AASB Interpretation 10: Interim Financial Reporting and Impairment

AASB-I 10 prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period nor subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no current impact on the Group's or the parent entity's financial statements.

(iii) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]

AASB 8 replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. The standards are applicable for reporting periods beginning on or after 1 January 2009. Application of the standards will not affect any of the amounts recognised in the Group's or the parent entity's financial statements as the standards are only concerned with disclosures

(iv) AASB Interpretation 11: AASB 2 Share-based Payment - Group and Treasury Share Transactions and AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]

AASB-I 11 addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving the services. The standards are applicable for reporting periods beginning on or after 1 March 2007. Application of the standards will not affect any of the amounts recognised in the Group's financial statements. The potential effect of the standards on the parent entity's financial statements has not yet been determined.

2. Revenue

	Consolidated		Company	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Revenue				
Revenue from rendering of services	741,121	569,351	-	-
	741,121	569,351	-	-
Other revenue				
Interest revenue	127,845	24,856	118,401	23,445
Interest revenue from related party	-	-	251,662	76,100
R&D tax offsets	364,021	-	181,163	-
	491,866	24,856	551,226	99,545
Total revenue	**1,232,987**	**594,207**	**551,226**	**99,545**

3. Expenses and losses (gains) included in profit/(loss)

	Consolidated		Company	
	2007 **$**	**2006** **$**	**2007** **$**	**2006** **$**
(a) Expenses				
Depreciation of non current assets:				
Leasehold improvements	70,750	5,673	70,750	5,673
Computer equipment	22,100	12,916	4,146	3,165
Plant and equipment	171,306	153,699	4,650	-
Equipment under lease	24,607	972	22,097	-
Total depreciation of non current assets	288,763	173,260	101,643	8,838
Amortisation of non current assets:				
Intellectual property	-	-	-	-
Total amortisation of non current assets	-	-	-	-
Impairment losses on non current assets:				
Impairment loss of loan	-	-	-	231,524
Impairment loss on loan	-	-	3,585,190	1,110,844
Reversal of provision for impairment loss on loan	-	-	-	(1,802,571)
Total impairment losses on non current assets	-	-	3,585,190	(460,203)
Total depreciation, amortisation & impairment	**288,763**	**173,260**	**3,686,833**	**(451,365)**
Accounting, auditing and other expenses	433,488	462,056	291,040	99,127
Share registry and listing expenses	51,373	96,540	51,373	96,540
Administrator expenses	-	25,456	-	25,456
Total corporate administration	**484,861**	**584,052**	**342,413**	**221,123**
Rental expense on operating leases - Minimum lease payments	140,300	94,554	140,300	94,554
Total operating lease rental expenses	**140,300**	**94,554**	**140,300**	**94,554**
Interest expense	4,811	1,355	4,029	-
Total Finance costs	**4,811**	**1,355**	**4,029**	**-**

4. Income Tax

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
(a) Income tax recognised in profit or loss				
Tax expense/(benefit) comprises:				
Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences	2,408	(10,844)	(2,556)	(6,303)
Total tax expense/(benefit) in the income statement	**2,408**	**(10,844)**	**(2,556)**	**(6,303)**
(b) The prima facie income tax expense on pre-tax accounting profit (loss) from operations reconciles to the income tax expense in the financial statements as follows:				
(Loss) from operations	(3,184,691)	(3,203,329)	(5,446,695)	(1,084,078)
Income tax expense /(benefit) calculated at 30% (2006: 30%)	(955,407)	(960,999)	(1,634,008)	(325,223)
Non assessable income	-	-	-	(230,349)
Non deductible expenses	3,278	138,270	1,188	207,008
Unused tax losses not recognised as deferred tax assets	954,537	811,885	1,630,264	342,261
Income tax expense/(benefit)	**2,408**	**(10,844)**	**(2,556)**	**(6,303)**

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and recognised directly into equity:				
Deferred tax credited directly to equity	-	-	-	-
(d) Deferred tax balances				
Deferred tax assets comprise:				
Temporary differences	**16,031**	**18,438**	**13,781**	**11,224**

4. Income Tax *(continued)*

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
(e) Unrecognised deferred tax balances				
The following deferred tax assets have not been brought to account as assets:				
Tax losses – revenue	**1,722,022**	**975,735**	**1,822,761**	**400,747**
(f) Franking account balance				
Franking account balance	-	-	-	-

Tax consolidation

The company and its wholly owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is IM Medical Limited. The members of the tax consolidated group are identified in note 19.

Entities within the tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, IM Medical Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

The tax sharing agreement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

5. Share options

Movements in the share options of the consolidated entity are summarised below.

	2007 Number	2006 Number
Balance at beginning of the financial period (i)	116,000,000	101,200,000
Granted during the financial period (ii)	-	15,000,000
Exercised during the financial period (iii)	(15,000,000)	-
Lapsed during the financial period (iv)	-	(200,000)
Balance at end of the financial period (v)	**101,000,000**	**116,000,000**

(i) Balance at beginning of the financial period

	Number	Vested number	Unvested number	Grant date	Expiry date	Exercise price
(4) Option series	62,500,000	62,500,000	-	16 Sep 2004	31 Dec 2008	$0.04
(5) Option series	8,500,000	8,500,000	-	16 Sep 2004	31 Dec 2008	$0.02
(6) Option series	30,000,000	30,000,000	-	16 Sep 2004	31 Dec 2008	$0.03
(7) Option series	13,500,000	13,500,000	-	14 Oct 2005	30 Jun 2007	$0.01
(8) Option series	1,500,000	1,500,000	-	21 Oct 2005	30 Jun 2007	$0.01
	116,000,000					

(ii) Granted during the financial period

	Number	Grant date	Expiry date	Exercise price	Fair value received
2007					
Nil	-				-
2006					
(7) Option series	13,500,000	14 Oct 2005	30 Jun 2007	$0.01	-
(8) Option series	1,500,000	21 Oct 2005	30 Jun 2007	$0.01	-
	15,000,000				

5. Share Options *(continued)*

(iii) Exercised during the financial period

	Number of options exercised	Grant date	Exercise date	Expiry date	Exercise price	Number of shares issued	Fair value received	Fair value of shares at date of issue
2007								
(7) Option series	9,000,000	14 Oct 2005	1 Nov 2006	30 Jun 2007	$0.01	9,000,000	$90,000	$171,000
(7) Option series	2,500,000	14 Oct 2005	2 Nov 2006	30 Jun 2007	$0.01	2,500,000	$25,000	$ 47,500
(7) Option series	2,000,000	14 Oct 2005	30 May 2006	30 Jun 2007	$0.01	2,000,000	$20,000	$ 32,000
(8) Option series	1,500,000	21 Oct 2005	30 May 2006	30 Jun 2007	$0.01	1,500,000	$15,000	$ 24,000
	15,000,000						**$150,000**	**$274,500**
2006								
Nil	-	-	-	-	-	-	-	-

Fair value of consideration is measured as the nominal value of cash receipts on conversion. The fair value of shares at the date of issue is measured by the market value at close of trade on the date of their issue.

(iv) Lapsed during the financial period

	2007 Number	2006 Number
(2) Option series	-	200,000

(v) Balance at end of the financial period

	Number	Vested number	Unvested number	Grant date	Expiry date	Exercise price
(4) Option series	62,500,000	62,500,000	-	16 Sep 2004	31 Dec 2008	$0.04
(5) Option series	8,500,000	8,500,000	-	16 Sep 2004	31 Dec 2008	$0.02
(6) Option series	30,000,000	30,000,000	-	16 Sep 2004	31 Dec 2008	$0.03
	101,000,000	**101,000,000**	**-**			

Share options carry no rights to dividends and no voting rights. In accordance with the terms of the share option schemes, options may be exercised at any time from the date on which they vest to the date of their expiry, subject to any additional specific requirements of the particular allocation.

Consideration received on the exercise of options is recognised in issued capital. During the financial period, an amount of $150,000 (2006: $nil) was recognised in issued capital arising from the exercise of options.

Weighted average remaining contractual life of outstanding options is 6 months.

6. Remuneration of auditors

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
Auditor of the parent company				
Auditing or reviewing the financial report (a)	41,000	35,000	33,500	26,000
Taxation services (b)	11,551	3,000	11,551	3,000
	52,551	**38,000**	**45,051**	**29,000**

(a) PKF Chartered Accountants were the auditor of IM Medical Limited in 2006 and 2007.

(b) PKF Chartered Accountants has been provided with remuneration of $11,551 (2006: $3,000) for provision of taxation services

7. Current trade and other receivables

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
Trade receivables	43,345	84,491	-	-
Less provision for doubtful debts	-	(6,768)	-	-
Net trade receivables	43,345	77,723	-	-
Goods and services tax	105,574	20,057	38,878	23,650
Other debtors	357,694	1,547	357,693	1,435
Prepayments	1,760	-	1,760	-
	465,028	**21,604**	**398,331**	**25,085**
	508,373	**99,327**	**398,331**	**25,085**

8. Non current trade and other receivables

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
Loans to controlled entities (b)	-	-	5,285,190	3,617,292
Provision for impairment loss on loan (b)	-	-	(3,585,190)	-
Impairment loss on intercompany loan (b)	-	-	-	(1,110,844)
Impairment loss on intercompany loan (a)	-	-	-	(231,524)
	-	**-**	**1,700,000**	**2,274,924**

(a) In fiscal 2006, the company acquired the Centre For Health business as disclosed in note 20 to the financial statements for a net investment cost of $10,500. The amounts advanced from the parent company to the Centre For Health business to fund the working capital requirements of the business amounted to an intercompany loan account balance at year end of $231,524. As at 30 June 2006, a review of this intercompany loan account was performed and it was concluded that the controlled entity, IM Medical Centre For Health Pty Ltd, did not have the capacity to repay the loan to the company, thereby resulting in the value of the loan being in excess of its recoverable amount to the company.

The company has assessed the probability of expected future economic benefits derived from this loan account, using reasonable assumptions that represent management's best estimate of the economic conditions. As a result of the assessment, the company has determined that it is not probable that any future economic benefits would flow to the company from this loan account, and accordingly, an impairment loss of $231,524 has been recorded to reflect a nil recoverable amount.

The recoverable amount has been determined as the higher of its fair value less costs to sell and its value in use.

In the absence of a binding sale agreement or an active market, the fair value less costs to sell has been based on an assessment of the best information available to reflect the amount that the entity could obtain at the reporting date from the disposal of this loan account in an arm's length transaction between a knowledgeable and willing buyer and seller.
This assessment has determined the recoverable amount of this asset is nil. In assessing the recoverable amount of this asset from its value in use, the entity estimated the future cash inflows and outflows to be derived from this loan account and applied an appropriate discount rate of 8% to those future cash flows, being the current market risk adjusted rate of interest on the intercompany loan. It has been assessed that there would be nil future cash flows being derived from this loan account.

(b) As at 30 June 2006, the company had undertaken a review to determine whether there was any indication that the loans to controlled entities had suffered any impairment loss. As a result of that review, the company had determined that a provision for an impairment loss of $1,802,571 recognised in fiscal 2005 should be recorded as an impairment loss in fiscal 2006, but only to the extent of $1,110,844. No further impairment loss was required to be recorded in fiscal 2006.

The recoverable amount has been determined as the higher of its fair value less costs to sell and its value in use.

In assessing the recoverable amount of this asset in fiscal 2006 from its value in use, the entity estimated the future cash inflows and outflows to be derived from this loan account and applied an appropriate discount rate of 8% to those future cash flows, being the current market risk adjusted rate of interest.

(c) As at 30 June 2007, the company had undertaken a review to determine whether there was any indication that the loans to controlled entities had suffered any impairment loss. As a result of that review, the company had determined that a provision for an impairment loss of $ 3,585,190 should be recorded in fiscal 2007.

The recoverable amount has been determined as the higher of its fair value less costs to sell and its value in use.

In assessing the recoverable amount of this asset in fiscal 2007 from its value in use, the entity estimated the future cash inflows and outflows to be derived from this loan account and applied an appropriate discount rate of 8% to those future cash flows, being the current market risk adjusted rate of interest.

9. Non current other financial assets

	Consolidated		Company	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Investment in subsidiaries at recoverable amount	-	-	100	100
Represented by:				
Investment in IM Medical Centre For Health Pty Ltd	-	-	100	100
Investment in subsidiaries at recoverable amount	**-**	**-**	**100**	**100**

IM Medical Limited has a 100% equity interest in IM Medical Centre For Health Pty Ltd (2006: 100%).

10. Property, plant and equipment

Consolidated

	Leasehold improvements (at cost)	Computer equipment (at cost)	Plant and equipment (at cost)	Equipment under lease (at cost)	Total
	$	$	$	$	$
Gross carrying amount					
Balance at 1 July 2006	77,548	58,466	1,172,134	13,000	1,321,148
Additions	33,700	87,769	347,336	160,198	629,003
Disposals	(77,548)	-	(209,349)	-	(286,897)
Balance at 30 June 2007	33,700	146,235	1,310,121	173,198	1,663,254
Accumulated depreciation					
Balance at 1 July 2006	(9,097)	(18,626)	(392,401)	(1,732)	(421,856)
Depreciation expense	(70,750)	(22,100)	(171,306)	(24,607)	(288,763)
Disposals	77,548	-	209,349	-	286,897
Balance at 30 June 2007	(2,299)	(40,726)	(354,358)	(26,339)	(423,722)
Net book value					
As at 30 June 2006	68,451	39,840	779,733	11,268	899,292
As at 30 June 2007	31,401	105,509	955,763	146,859	1,239,532

Company

	Leasehold improvements (at cost)	Computer equipment (at cost)	Plant and equipment (at cost)	Equipment under lease (at cost)	Total
	$	$	$	$	$
Gross carrying amount					
Balance at 1 July 2006	77,548	10,201	-	-	87,749
Additions	33,700	13,180	64,840	160,198	271,918
Disposals	(77,548)	-	-	-	(77,548)
Balance at 30 June 2007	33,700	23,381	64,840	160,198	282,119
Accumulated depreciation					
Balance at 1 July 2006	(9,097)	(5,167)	-	-	(14,264)
Depreciation expense	(70,750)	(4,146)	(4,650)	(22,097)	(101,643)
Disposals	77,548	-	-	-	77,548
Balance at 30 June 2007	(2,299)	(9,313)	(4,650)	(22,097)	(38,359)
Net book value					
As at 30 June 2006	68,451	5,034	-	-	73,485
As at 30 June 2007	31,401	14,068	60,190	138,101	243,760

11. Intangible assets

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
Intellectual property				
Acquired at cost	1,664,200	-	-	-
Accumulated amortisation and impairment	-	-	-	-
Net carrying value	1,664,200	-	-	-
Total intangible assets	**1,664,200**	**-**	**-**	**-**

	Consolidated	Company
	Intellectual Property $	Intellectual Property $
Year ending 30 June 2006		
Balance at the beginning of the year	-	-
Additions	-	-
Disposal	-	-
Amortisation charge	-	-
Impairment losses	-	-
Closing value at 30 June 2006	-	-
Year ending 30 June 2007		
Balance at the beginning of the year	-	-
Additions	1,664,200	-
Disposal	-	-
Amortisation charge	-	-
Impairment losses	-	-
Closing value at 30 June 2007	**1,664,200**	**-**

Intellectual property

In fiscal 2007, the consolidated entity acquired the Intellectual Property and plant and equipment of Cardanal Pty Ltd. As at 30 June 2007, a review of the recoverable amount of these intangible assets was performed. The recoverable amounts have been determined as the higher of its fair value less costs to sell and its value in use. The consolidated entity has assessed the probability of expected future economic benefits derived from these assets, using reasonable assumptions that represent management's best estimate of the economic conditions of the asset's useful life. As a result of the assessment, the consolidated entity has determined that it is probable that future economic benefits would flow to the consolidated entity within the foreseeable future from these intangible assets, and accordingly, no impairment losses on intellectual property have been recorded.

The recoverable amount is determined as the higher of its fair value less costs to sell and its value in use.

In assessing the recoverable amount of this asset from its value in use, the entity estimated the future cash inflows and outflows to be derived from its continuing use of these assets and from its ultimate disposals and applied an appropriate discount rate to those future cash flows, being a risk adjusted discount rate of 8%. It was assessed that there would be future cash flows derived from this asset.

12. Current trade and other payables

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
Trade creditors	251,215	256,314	82,339	169,598
Directors fees payable to director related entities	-	166,673	-	166,673
Director related accruals	1,800	-	-	-
Accruals	177,121	334,715	73,147	248,823
	430,136	**757,702**	**155,486**	**585,094**

13. Borrowings

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
Current				
Lease liability (note 21)	31,778	2,432	29,346	-
Non current				
Lease liability (note 21)	115,634	7,283	110,783	-

14. Provisions

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
Current				
Employee benefits	22,435	17,192	22,435	7,414
Aggregate employee benefits	22,435	17,192	22,435	7,414

15. Issued capital

		Consolidated 2007		Consolidated 2006	
		Number	$	Number	$
(a)	**Issued and paid up capital**				
	Ordinary shares fully paid (no par value)	1,031,357,945	9,412,060	803,630,672	5,601,560
	Options	101,000,000	78,375	116,000,000	256,875
			9,490,435		5,858,435
(b)	**Movements in shares on issue**				
	Balance at beginning of the financial year	803,630,672	5,601,560	450,932,591	21,544,622
	Reduction of share capital from accumulated losses	-	-	-	(20,228,062)
	Equity raisings (i)	120,000,000	1,760,000	339,384,615	4,300,000
	less transaction costs	-	(78,000)	-	(235,000)
	Issue of shares in payment of CEO services	-	-	5,980,132	90,000
	Issue of shares in payment of director fees	-	-	3,333,334	50,000
	Issue of ordinary shares in lieu of services	20,000,000	200,000	4,000,000	80,000
	Issue of shares Cardanal Intellectual Property	72,727,273	1,600,000	-	-
	Exercise of options	15,000,000	150,000	-	-
	Transfer from options reserve	-	178,500	-	-
	Balance at the end of the financial year	**1,031,357,945**	**9,412,060**	**803,630,672**	**5,601,560**

(i) Equity raisings

	Date	Details	Number	Issue price	$
2007	5 Jul 2006	New issue of ordinary shares	16,000,000	$0.0125	200,000
	24 Nov 2006	New issue of ordinary shares	104,000,000	$0.0150	1,560,000
			120,000,000		1,760,000
2006	11 Aug 2005	New issue of ordinary shares	53,846,154	$0.0130	700,000
	31 Oct 2005	New issue of ordinary shares	38,461,538	$0.0130	500,000
	22 Dec 2005	New issue of ordinary shares	23,076,923	$0.0130	300,000
	13 Jun 2006	New issue of ordinary shares	224,000,000	$0.0125	2,800,000
			339,384,615		**4,300,000**

15. Issued capital *(continued)*

	Consolidated 2007		Consolidated 2006	
	Number	**$**	**Number**	**$**
(c) Movements in shares options				
Balance at beginning of the financial year	116,000,000	256,875	101,200,000	78,375
Granted during the financial year (ii)	-	-	15,000,000	178,500
Exercised during the financial year	(15,000,000)	(178,500)	-	-
Lapsed during the financial year	-	-	(200,000)	-
Balance at the end of the financial year	**101,000,000**	**78,375**	**116,000,000**	**256,875**

(ii) Issue of options

	Date	Details	Number	Exercise price	Expiry date
2007		Nil			
			-		
2006	14 Oct 2005	New issue of options	13,500,000	$0.01	30 Jun 2007
	21 Oct 2005	New issue of options	1,500,000	$0.01	30 Jun 2007
			15,000,000		

d) Terms and conditions of issued capital

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Options

Optionholders do not have the right to receive dividends and are not entitled to vote at a meeting of the Company. Options may be exercised at any time from the date they vest to the date of their expiry. Share options convert into ordinary shares on a one for one basis on the date they are exercised.

16. Accumulated losses

	Consolidated		Company	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Balance at beginning of the financial year	(3,192,485)	(20,228,062)	(1,769,502)	(20,919,789)
Reduction of accumulated losses to share capital	-	20,228,062	-	20,228,062
Net profit/(loss) attributable to members of the Company	(3,187,099)	(3,192,485)	(5,444,139)	(1,077,775)
Balance at the end of the financial year	**(6,379,584)**	**(3,192,485)**	**(7,213,641)**	**(1,769,502)**

17. Earnings per share

	Consolidated	
	2007 **Cents**	**2006** **Cents**
Basic earnings profit/(loss) per share	(0.35)	(0.57)
Diluted earnings profit/(loss) per share	(0.35)	(0.57)

The following reflects the income and share data used in the calculations of basic and diluted earnings profit/ (loss) per share.

	$	**$**
Net loss used in the calculation of basic and diluted EPS	(3,187,099)	(3,192,485)
	Number	**Number**
Weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings profit/(loss) per share	908,808,630	559,967,766
Weighted average number of ordinary shares on issue during the financial year used in the calculation of dilutive earnings profit/(loss) per share	908,808,630	559,967,766

Based on market conditions at balance date, the number and nature of potential ordinary shares that are not dilutive are as follows:

- 62,500,000 listed options exercisable on or before 31 December 2008 at a price of $0.04 per option
- 8,500,000 unlisted options exercisable on or before 31 December 2008 at a price of $0.02 per option
- 30,000,000 unlisted options exercisable on or before 31 December 2008 at a price of $0.03 per option

Potential ordinary shares are not dilutive as they would decrease the loss per share.

Ordinary shares issued after balance date are detailed in note 24.

18. Contingent liabilities and contingent assets

The contingent liability faced by the Company relates to the Executive Service Agreements in place with the CEO Mr. Tommas Bonvino and the Chief Scientific Officer, Dr Aaron Ginzburg.

In the case of Mr. Tommas Bonvino, subject to Corporations Act and the ASX Listing Rules, he is to be issued with up to 15,000,000 ordinary shares in the Company at an issue price of $0.02 in accordance with the following milestones:

1. 5 million shares if the Company achieves break even during any continuous 3 month period during the First Year, adding back the pro-rata costs of and associated with the acquisition of the Cardanal Assets and all matters incidental to their integration with the Company's business.
2. 5 million shares if EBIT of the Company in the First Year exceeds $1 million. In this instance EBIT calculations would add back the costs of and associated with the acquisition of the Cardanal Assets and all matters incidental to their integration with the Company's business.
3. 5 million shares if the Company signs at least 40 new Clinics during the First Year in states and territories other than Victoria and the number of patients being referred to the Company from these Clinics is at least equal to the average number of referrals from Clinics signed at March 1, 2007.

The First Year is to be the 12 months ending June 1, 2008.

The Executive Service Agreement of Dr Aaron Ginzburg provides for the entitlement of the following payments, once the Cardanal software is successfully integrated into the Intelliheart test.

In the First tranche, if the Company's share price remains at or above 3.0 cents for 45 continuous trading days, the Company is to pay Dr Ginzburg $100,000 and issue 5 million shares in the share capital of the Company

In the second tranche, if the Company's share price remains at or above 4.0 cents for 45 continuous trading days, the Company is to pay Dr Ginzburg $100,000 and issue 5 million shares in the share capital of the Company

In the third tranche, if the Company's share price remains at or above 5.0 cents for 45 continuous trading days, the Company is to pay Dr Ginzburg $100,000 and issue 5 million shares in the share capital of the Company

In the fourth tranche, if the Company's share price remains at or above 6.0 cents for 45 continuous trading days, the Company is to pay Dr Ginzburg $100,000 and issue 5 million shares in the share capital of the Company

In the fifth tranche, if the Company's share price remains at or above 7.0 cents for 45 continuous trading days, the Company is to pay Dr Ginzburg $100,000 and issue 5 million shares in the share capital of the Company

The company has also provided bank guarantees to the lessors of the company's rented premises. These guarantees cover rental security and total $122,277.

19. Controlled entities

Name of entity	Country of incorporation	2007 Ownership interest	2007 Investment balance	2006 Ownership interest	2006 Investment balance
Intelliheart Pty Ltd (a)	Australia	100%	-	100%	-
IM Medical Centre For Health Pty Ltd (a)	Australia	100%	$100	100%	$100

(a) Members of the tax consolidated group where the head entity is IM Medical Limited

20. Acquisition of business

Names of business acquired	Principal activity	Date of acquisition	Proportion of shares acquired	Cost of acquisition
2007				
nil	-	-	-	-
2006				
Centre For Health	Executive health assessments	18 Jul 2005	-	$10,500

Centre For Health business

Effective 18 July 2005, the consolidated entity acquired the San Centre For Health business in New South Wales specialising in executive health assessments. The business was acquired from the Sydney Adventist Hospital, known for its strong reputation for preventative healthcare. The cost of the business acquisition was $10,500 representing costs associated with the purchase of plant and equipment.

Cash payment	$10,500
Investment in Centre For Health business	**$10,500**
Property, plant and equipment	$10,500
Goodwill on acquisition	**$Nil**

The business has since April 2006, stopped trading.

During the year ended 30 June 2007, the company acquired intellectual property and plant and equipment from Cardanal Pty Ltd. This acquisition is disclosed in Notes 11 and 25.

21. Commitments for expenditure

(a) Leased plant and equipment

The finance leases relate to plant and equipment and a motor vehicle with lease terms of five years. The consolidated entity has the option to purchase the equipment for a nominal amount at the conclusion of the leasing arrangement

	Consolidated		Company	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Not later than one year	42,195	3,504	38,691	-
Later than one year and not later than five years	122,855	8,468	117,891	-
Minimum lease payments	165,050	11,972	156,582	-
Future finance charges	(17,638)	(2,257)	(16,453)	-
Liability	147,412	9,715	140,129	-
Lease liabilities:				
Current (note 13)	31,778	2,432	29,346	-
Non-current (note 13)	115,634	7,283	110,783	-
	147,412	**9,715**	**140,129**	**-**

(b) Leased premises

The operating lease relates to the premises and car parking leased at Level 12, 484 St Kilda Road, Melbourne for use as the consolidated entity's head office. The lease term is five years and contains market review clauses in the event that the consolidated entity exercises its option to renew. The consolidated entity does not have the right to purchase the leased asset at the expiry of the lease period. The consolidated entity has an option to surrender the lease at nil penalty that, if put into action, must be exercised by 31 October 2011.

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
Not later than one year	152,068	87,731	152,068	87,731
Later than one year and not later than five years	546,522	128,403	546,522	128,403
Total	**698,590**	**216,134**	**698,590**	**216,134**

22. Segment information

The Company operates in one business segment and one geographical location, being in the Australian medical industry.

23. Related party disclosures

i. Equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 19 to the financial statements.

ii. Loan disclosures

There are no related party loans between the disclosing entity and any of the key management personnel.

iii. Transactions within the wholly owned group

The wholly owned group includes:

- The ultimate parent entity in the wholly owned group; and
- Wholly owned controlled entities

The ultimate parent company in the wholly owned group is IM Medical Limited. Details of interest revenue derived by the entity from entities in the wholly owned group are disclosed in note 2 and note 12 to the financial statements. Amounts receivable from and payable to entities in the wholly owned group are disclosed in note 8 and note 12 to the financial statements. During the year, the parent company provided loan funds to its subsidiary of $2,758,604 (2006: $1,738,621), which consisted of net cash funding of $1,158,604 (2006: $1,738,621). Interest of $251,662 (2006: $76,100) was charged by the parent company for the provision of loan funds.

iv. Transactions with other related parties
Other related parties include:

- the parent entity
- associates
- subsidiaries
- key management personnel
- other related parties

(a) Director and executive remuneration

The aggregate compensation of the key management personnel of the consolidated entity and company is set out below:

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
Short term employee benefits	981,981	404,006	981,981	404,006
Post employment benefits	57,234	36,359	57,234	36,359
Other long term benefits	-	-	-	-
Share based payments	-	-	-	-
	1,039,215	440,365	1,039,215	440,365

(b) Options holding of directors and key management personnel

2007	Balance at 1 Jul 06	Received as remuneration	Options exercised	Net change other	Balance at 30 Jun 07	Total exercisable and vested	Options vested during the year
A Blood	11,645,400	-	-	-	11,645,400	11,645,400	11,645,400

2006	Balance at 1 Jul 05	Received as remuneration	Options exercised	Net change other	Balance at 30 Jun 05	Total exercisable and vested	Options vested during the year
A Blood	11,645,400	-	-	-	11,645,400	11,645,400	11,645,400

(c) Shareholdings of key management personnel

2007	Balance at 1 Jul 06	Granted as remuneration	On exercise of options	Net change other	Balance at 30 Jun 07
A Blood	73,887,874	-	-	40,000,000	113,887,874
C.Cook	-	-	-	100,000	100,000
T.Bonvino	-	-	-	20,000,000	20,000,000

2006	Balance at 1 Jul 05	Granted as remuneration	On exercise of options	Net change other	Balance at 30 Jun 06
L Williams	7,516,500	-	-	53,302,649	60,819,149
A Blood	72,221,207	-	-	1,666,667	73,887,874
J Ries	-	-	-	5,512,820	5,512,820

(d) Loans to key management personnel

Subject to paragraph (f) below, there are no loans made by the disclosing entity or any of its subsidiaries to any key management personnel, including their personally related entities.

(e) Other transactions and balances with key management personnel

The following transactions and/or balances between the disclosing entity or any of its subsidiaries to any key management personnel, including their personally related entities were as follows:

- During the year, the Company procured services to a value of $15,686 (GST inclusive) (2006: $22,000) from Gameday Enterprises Pty Ltd, a company associated with A. Blood for business expenses paid on behalf of the Company. The value of the expenses was determined on an arm's length basis at commercial terms.
- During the year, the Company procured services to a value of $5,073 (GST inclusive) (2006: nil) from Ferrrara Holdings Pty Ltd, a company associated with A. Blood for business expenses paid on behalf of the Company. The value of the expenses was determined on an arm's length basis at commercial terms.
- During the year, the Company procured services to a value of $22,649 (GST inclusive) (2006:$169,267) from Tellimed Pty Ltd, a company associated with L Williams for the provision of contract labour to provide support in the areas of information technology, administration and consulting services. The value of the services was determined on an arm's length basis at commercial terms.
- During the year, the Company procured services to a value of $10,167 (GST inclusive) (2006: nil) from Ausemed Pty Ltd, a company associated with L Williams for the provision of consulting services. The value of the services was determined on an arm's length basis at commercial terms.
- During the year, the Company procured services and materials to a value of $275,506 (GST inclusive) (2006: nil) from Boncorp Holdings Pty Ltd, a company associated with T.Bonvino for the provision of consulting services and materials. The value of the services was determined on an arm's length basis at commercial terms. The company also provided a motor vehicle to T.Bonvino whist providing consulting services through Boncorp Holdings Pty Ltd. The value of this benefit during that period was $31,558 (GST exclusive) (2006: nil).
- During the year, the Company invoiced a total of nil (2006:$12,650) (GST inclusive) to Melbourne Gynaecology Pty Ltd, a company associated with L Williams for services performed in the ordinary course of business. The value of the services was determined on an arm's length basis at commercial terms. As at 30 June 2006, a balance of $6,325 remained a receivable by the Company, however, the amount was fully settled during the year.
- During the year, the Company procured services to a value of nil (2006:$165,000) (GST inclusive) from Melbourne Gynaecology Pty Ltd, a company associated with L Williams for work in the design of technical specifications, software programming and development of the software pathway. The value of the services was determined on an arm's length basis at commercial terms. As at 30 June 2006, a balance of $100,000 remained as unpaid, however, as at the date of this report, this amount has been fully settled.
- During the year, the Company provided a short term advance for an amount of nil (2006:$5,879) to Tellimed Pty Ltd, a company associated with L Williams. This short term advance was made and settled within a three month period. As at 30 June 2006, there were no amounts owing from this short term advance.

24. Subsequent events

Since the report date, on 7 August 2007, a capital raising was undertaken with a share placement to Sophisticated and Institutional investors and the company issued 120,000,000 ordinary shares at 2.6 cents per share. This enabled the company to raise $ 3,120,000 (before costs). The raising of this additional funding will provide further working capital for the company to continue with implementing its business model with specific focus on the commercial rollout of the Intelliheart system to new and existing markets - both local and overseas; the provision of additional resources in the areas of sales and marketing; and to continue to progress the development and global rollout of the newly acquired Cardanal technology.

Also, on 3 August 2007, the Company received $900,000 from Farcam Pty Ltd, which exercised 30,000,000 unlisted options at an exercise price of $0.03. On 8 August 2007, shareholders exercised 2,500,000 unlisted options at an exercise price of $0.02 for which the company received $50,000.

25. Notes to the cash flow statement

	Consolidated		Company	
	2007 $	**2006 $**	**2007 $**	**2006 $**
(a) Reconciliation of cash				
Cash balance comprises:				
- cash at bank	282,698	2,433,502	238,872	2,296,623
Closing cash balance	282,698	2,433,502	238,872	2,296,623
(b) Businesses acquired				
During the 2007 financial year no businesses were acquired (2006: Centre for Health business acquired). Details of the acquisition are as follows (note 20):				
Consideration				
Cash and cash equivalents	-	10,500	-	-
Ordinary shares (note 15)	-	-	-	-
Repayment of liabilities	-	-	-	-
	-	10,500	-	-
Fair value of net assets acquired				
Cash and cash equivalents	-	-	-	-
Property, plant and equipment	-	10,500	-	-
Intangible assets	-	-	-	-
Creditors and borrowings	-	-	-	-
Net assets acquired	-	10,500	-	-
Goodwill on acquisition	-	-	-	-
	-	10,500	-	-
Net cash flow on acquisition				
Cash and cash equivalents consideration	-	10,500	-	-
less Cash paid for purchase of option	-	-	-	-
less Cash and cash equivalents acquired	-	-	-	-
	-	10,500	-	-

25. Notes to the cash flow statement *(continued)*

The fair value of the identifiable assets and liabilities on acquisition were the same as the carrying amount prior to acquisition.				
(c) Reconciliation of the operating profit/(loss) after tax to the net cash flows from operations				
Profit/(Loss) from ordinary activities after tax	(3,187,099)	(3,192,485)	(5,444,139)	(1,077,775)
Non-cash items				
Depreciation, amortisation and write downs	289,216	173,260	3,686,833	(451,365)
Non cash expense	246,128	398,502	244,149	398,502
Non cash income	-	-	(251,662)	(76,100)
Change in assets and liabilities				
(Increase)/Decrease in receivables	(409,046)	(74,613)	(373,246)	(18,378)
(Increase)/Decrease in tax assets	2,407	(10,844)	(2,557)	(6,303)
(Decrease)/Increase in payables	(327,566)	545,245	(429,608)	455,605
(Decrease)/Increase in employee benefits	5,243	6,878	15,021	6,012
(Decrease)/Increase in finance leases	137,697	-	140,129	-
Net cash flow from/(used in) operating activities	(3,243,020)	(2,154,057)	(2,415,080)	(769,802)

(d) Non-cash Financing and Investing Activities

(i) During the year the consolidated entity acquired equipment with an aggregate value of $160,198 (2006: nil) by means of finance lease. These acquisitions were not reflected in the cash flow statement.

(ii) During the year the consolidated entity acquired intellectual property with an aggregate value of $1,600,000 and settled liabilities in lieu of services of $200,000 provided through the issue of shares as disclosed in note 15(b).

26. Financial instruments

a. Interest rate risk

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2007.

	Average interest rate	Variable interest rate	Fixed interest rate maturity		Non interest bearing	Total
			Less than 1 year	More than 1 year		
		$	$	$	$	$
Financial asset						
Cash and cash equivalents	5.91%	282,698	-	-	-	282,698
Trade and other receivables	-	-	-	-	508,373	508,373
Other financial asset	-	-	-	-	-	-
Total financial assets		**282,698**	**-**	**-**	**508,373**	**791,071**
Financial liabilities						
Trade and other payables	-	-	-	-	430,136	430,136
Borrowings	7.45%	-	31,778	115,634	-	147,412
Total financial liabilities		**-**	**31,778**	**115,634**	**430,136**	**577,548**

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2006.

	Average interest rate	Variable interest rate	Fixed interest rate maturity		Non interest bearing	Total
			Less than 1 year	More than 1 year		
		$	$	$	$	$
Financial asset						
Cash and cash equivalents	4.39%	2,433,502	-	-	-	2,433,502
Trade and other receivables	-	-	-	-	99,327	99,327
Other financial asset	-	-	-	-	-	-
Total financial assets		**2,433,502**	**-**	**-**	**99,327**	**2,532,829**
Financial liabilities						
Trade and other payables	-	-	-	-	757,702	757,702
Borrowings	12.43%	-	2,432	7,283	-	9,715
Total financial liabilities		**-**	**2,432**	**7,283**	**757,702**	**767,417**

b. Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

c. Net fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their net fair values. The net fair values of financial assets and financial liabilities are determined as follows:

- The net fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The net fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

27. Company details

The registered office and principal place of business of the company is:
Level 12, 484 St Kilda Road Melbourne.Vic 3004.

The principal activities of the group are the advancement of human health through innovative prevention and management of cardiovascular and other life threatening diseases.

Additional stock exchange information

Additional information required by the Australian Stock Exchange and not shown elsewhere in this report is as follows.

The information is current as at 13 August 2007.

Ordinary share capital

- 1,197,207,945 ordinary shares held by 4,047 holders
- All issued ordinary shares carry one vote per share

Options

Listed

- 62,500,000 options exercisable on or before 31 December 2008 at a price of $0.04 per option; held by 113 option holders.

Unlisted

- 6,000,000 options exercisable on or before 31 December 2008 at a price of $0.02 per option; held by 3 option holders.

Options do not carry a right to vote. Voting rights will be attached to the unissued shares when the options have been exercised.

Distribution of holders in each class of equity securities

	Number of shareholders	Number of fully paid ordinary share	Number of optionholders	Quoted options exercisable on or before 31 December 2008
1 to 1,000	368	179,119	1	1,000
1,001 to 5,000	422	961,465	1	2,000
5,000 to 10,000	124	1,059,747	-	-
10,001 to 100,000	1753	96,744,347	37	2,489,390
100,001 and over	1380	1,098,263,267	74	60,007,610
Total	**4,047**	**1,197,207,945**	**113**	**62,500,000**
Holding less than a marketable parcel	933	2,406,953	5	40,160

Twenty largest holders

Issued equity securities

#	Ordinary shareholder	Number of shares	% of ordinary shares
1	Gameday Enterprises Pty Ltd	113,887,874	9.52%
2	R J Custodians Pty Ltd	101,230,769	8.46%
3	Cardanal Pty Ltd	62,427,273	5.22%
4	Comsec Nominees Pty Ltd	23,483,122	1.96%
5	Boncorp Investments Pty Ltd	20,000,000	1.67%
6	Net Nominees Ltd	13,231,533	1.11%
7	Global Transact Pty Ltd	12,500,000	1.05%
8	Deasil Trading Pty Ltd	11,000,000	0.92%
9	JCS Investment Group Pty Ltd	8,150,000	0.68%
10	Peter J McIntyre	7,059,899	0.59%
11	Debbie Leong	6,000,000	0.50%
12	Accbell Nominees Pty Ltd	5,931,154	0.50%
13	Netshare Nominees Pty Ltd	5,919,545	0.50%
14	A Di Bella Pty Ltd	5,400,000	0.45%
15	HSBS Custody Nominees Aust Ltd	5,048,456	0.42%
16	Matthew John Miocevich	5,000,000	0.42%
17	Alison Claire Ovenden	5,000,000	0.42%
18	Paul Kozaris	4,492,321	0.38%
19	FJTM Pty Ltd	4,389,626	0.37%
20	Sharon Lee Wrobel	4,000,000	0.33%
	Total	**424,151,572**	**35.43%**

Options exercisable on or before 31 December 2008 at $0.04 per option
Total options on issue: 62,500,000

#	Optionholder	Number of options	% of options
1	Ferrara Holdings Pty Ltd	11,645,400	18.63%
2	Minas Iraklis and Tangas	3,750,000	6.00%
3	Vince Zangari	2,840,000	4.54%
4	Dalext Products Pty Ltd	2,500,000	4.00%
5	Naim Ghantous	2,000,000	3.20%
6	Global Transact Pty Ltd	2,000,000	3.20%
7	Grant Clive Morrow	1,800,000	2.88%
8	Shizas Holdings Pty Ltd	1,731,000	2.77%
9	Truwest Pty Ltd	1,600,000	2.56%
10	Anthony Olding	1,500,000	2.40%
11	Darontack Pty Ltd	1,250,000	2.00%
12	International Business Network Services	1,250,000	2.00%
13	Matilde Rosa Broggian	1,250,000	2.00%
14	Laurentia Maria Gordon	1,100,000	1.76%
15	Carter & Carter Pty Ltd	1,100,000	1.76%
16	Peter Demourtzidis	1,075,000	1.72%
17	Adnan Ismail	1,005,000	1.61%
18	John Janos Tiborc	1,000,000	1.60%
19	Elizabeth Hancock	920,354	1.47%
20	Stephen Peart	893,652	1.43%
	Total	**42,210,406**	**67.54%**

Substantial shareholders

#	Substantial shareholder	Number of shares	% of ordinary shares
1	Gameday Enterprises Pty Ltd	113,887,874	9.52%
2	R J Custodians Pty Ltd	101,230,769	8.46%
3	Cardanal Pty Ltd	62,427,273	5.22%
	Total	**277,545,916**	**23.2%**

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