iiMmedical.

Appendix 4D

Half Year Report
For The Period Ended 31 December 2009
(Previous corresponding period: Half Year End 31 December 2008)

This Half Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3.

Results for Announcement to The Market

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount $
Revenues from ordinary activities	Down	20%	To	58,481
(Loss) from ordinary activities after income tax attributable to members	Down	(49%)	To	($910,869)
Net (loss) attributable to members	Down	(49%)	To	($910,869)

Dividends (Distributions)

	Amount per security	Franked amount per security
Interim dividend	N/A	N/A
The record date for determining entitlements to the final dividend is N/A		
Previous corresponding period		
Interim dividend	N/A	N/A

Brief explanation necessary to enable the above to be understood

Operating results with a net loss before tax of $910,869 have improved compared to the same period last year.

This is as a result of a further reduction in cost structures. The returns from Intelliheart have remained at previous levels, although much sales development work has been done in the retail and workplace market, life insurance industry and rural opportunities. It is hoped that the sales development work in these areas will bring some rewards in the second half of the year.

As announced to the market previously, management and directors have been working towards completing the acquisition of the Mark Scott Group during the first half of this year. This has taken up a large portion of management focus.

Net Tangible Assets per Security

Net tangible assets per security (with comparative figure for the previous corresponding period):

	Current period	Previous corresponding period
Net tangible assets security	0.01 cents	0.05 cents

The accounts attached have been subject to a review.

This half yearly report is to be read in conjunction with the half year financial report and the most recent annual financial report.

IM MEDICAL LIMITED

ABN: 47 009 436 908

Financial Report for the Half-year ended 31 December 2009

Directors' report

The directors of IM Medical Limited submit herewith the financial report of the Company and its subsidiaries (the Consolidated entity) for the half-year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Director names

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

Mr Dipak Sanghvi
Mr Craig Cook
Dr Ross Walker

Review and results of operations

In preparing the Review of Operations, the directors have omitted material 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 consolidated entity 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

Operating results with a net loss before tax of $910,869 have improved compared to the same period last year.

This is as a result of a further reduction in cost structures. The returns from Intelliheart have remained at previous levels, although much sales development work has been done in the retail and workplace market, life insurance industry and rural opportunities. It is hoped that the sales development work in these areas will bring some rewards in the second half of the year

As announced to the market previously, management and directors have been working towards completing the acquisition of the Mark Scott Group during the first half of this year. This has taken up a large portion of management focus.

The operating loss for the 6 months ended 31 December 2009 is $910,869 (2008: loss of $1,776,218).

(c) Future development

The directors' focus for the short term will be to finalise and then integrate the anticipated acquisition of the Mark Scott Radiology Group and assess various opportunities for integrating the Intelliheart test into other services and products and for expansion of the company's health offerings overall.

(d) Review of financial conditions

Since the commencement of the current half year reporting period, the company has benefited from share placements to Fortrend Securities P/L under its Standby Subscription Agreement. These placements have raised $273,172 for working capital in the first half of the year.

(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, 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 optimize the returns gained from its business activities and to meet the expectations of its shareholders.

(f) Subsequent events

On 4 January 2010, the Company issued 20 million Ordinary shares to Fortrend Securities P/L under its Standby Subscription agreement. The Company also issued on 14 January 2010, 10 million ordinary shares and on 29th January 2010 15 million ordinary shares to Fortrend Securities P/L under its Standby Subscription agreement. A further 40 million ordinary shares were issued to Fortrend Securities P/L under its Standby Subscription agreement on 2nd February 2010 and 15 million ordinary shares on 19 February 2010. These issues raised funds of $315,900. All capital raisings will be used for the company's working capital requirements.

Auditor's independence declaration

The auditor's independence declaration is included on page 15 of the half-year financial report.

Signed in accordance with a resolution of the directors and made pursuant to s306(3) of The Corporations Act 2001.

On behalf of the Board of Directors

Dipak Sanghvi
Director
26 February 2010
Melbourne

Directors' 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; and

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 giving a true and fair view of the financial position of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the Corporations Act 2001.

On behalf of the Board of Directors

Dipak Sanghvi
Director
26 February 2010
Melbourne

Condensed consolidated statement of comprehensive income for the half-year ended 31 December 2009

	31 Dec 2009 $	31 Dec 2008 $
Revenue	58,481	73,259
Depreciation and amortisation	(101,403)	(150,987)
Corporate administration	(351,996)	(466,753)
Travel and entertainment	(8,978)	(101,585)
Occupancy and administration	(83,529)	(88,242)
Consulting fees	(6,997)	(166,640)
Research and development	(9,880)	(17,078)
Director and employee benefits	(384,730)	(782,742)
Marketing and promotion	(16,707)	(63,849)
Other expenses	(5,130)	(11,601)
Loss before income tax expense	**(910,869)**	**(1,776,218)**
Income tax expense	-	-
Loss for the period	**(910,869)**	**(1,776,218)**
Total comprehensive income for the period	**(910,869)**	**(1,776,218)**
Basic loss per share (cents per share)	(0.05)	(0.14)
Diluted loss per share (cents per share)	(0.05)	(0.14)

The above statement of comprehensive income is to be read in conjunction with the attached notes.

Condensed consolidated statement of financial position as at 31 December 2009

	Note	31 Dec 2009 $	30 Jun 2009 $
Current Assets			
Cash and cash equivalents		29,331	280,297
Trade and other receivables		129,461	212,566
Total current assets		**158,795**	**492,863**
Non Current Assets			
Plant and equipment		462,375	577,112
Total non current assets		**462,375**	**577,112**
Total assets		**621,170**	**1,069,975**
Current liabilities			
Trade and other payables		400,873	212,986
Other financial liabilities		5,052	7,503
Provisions		18,294	13,693
Total current liabilities		**424,219**	**234,182**
Non current liabilities			
Other financial liabilities		10,177	11,322
Total non current liabilities		**10,177**	**11,322**
Total liabilities		**434,396**	**245,504**
Net assets		**186,774**	**824,471**
Equity			
Issued capital	2(b)	15,597,150	15,323,978
Reserve	2(c)	-	-
Accumulated losses	4	(15,410,376)	(14,499,507)
Total equity		**186,774**	**824,471**

The above statement of financial position is to be read in conjunction with the attached notes.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2009

Consolidated	Issued capital $	Retained earnings $	Total $
Balance at 1 July 2008	13,947,910	(12,047,942)	1,899,968
Total comprehensive income for the period	-	(1,776,218)	(1,776,218)
Movements in shares on issue	342,895	-	342,895
Balance as 31 December 2008	**14,290,805**	**(13,824,160)**	**466,645**
Balance at 1 July 2009	15,323,978	(14,499,507)	824,471
Total comprehensive income for the period	-	(910,869)	(910,869)
Movements in shares on issue	273,172	-	273,172
Balance as 31 December 2009	**15,597,150**	**(15,410,376)**	**186,774**

The above statement of recognised income and expense is to be read in conjunction with the attached notes.

Condensed consolidated statement of cash flows for the half-year ended 31 December 2009

	31 Dec 2009 $	31 Dec 2008 $
Cash Flows from Operating Activities		
Receipts from customers	100,953	68,787
Receipts from R&D Tax Offset	92,892	356,748
Payments to suppliers and employees	(735,844)	(1,782,096)
Interest received	9,167	22,276
Interest paid	(1,045)	(11,275)
Net cash flows used in operating activities	(533,877)	(1,345,560)
Cash Flows from Investing Activities		
Payment for plant and equipment	-	(38,353)
Proceeds on sale of plant and equipment	13,334	70,000
Net cash flows from investing activities	13,334	31,647
Cash Flows from Financing Activities		
Proceeds from issue of securities	273,172	192,895
Repayment of borrowings	(3,595)	(6,514)
Net cash flows from financing activities	269,577	186,381
Net increase / (decrease) in cash held	**(250,966)**	**(1,127,532)**
Cash at beginning of the financial period	**280,297**	**1,263,000**
Cash at the end of the financial period	**29,331**	**135,468**

The above cash flow statement is to be read in conjunction with the attached notes.

Condensed Notes to the consolidated interim financial report for the half-year ended 31 December 2009

1. Summary of significant accounting policies

Basis of Preparation

This general purpose half –year financial report has been prepared in accordance with the Accounting Standard AASB 134 "*Interim Financial Reporting*" and the *Corporations Act 2001*.

The accounting policies utilised in preparing the half-year financial report are consistent with those adopted for previous periods, but the half year report does not include all the notes of the type usually included in an annual financial report. Therefore this half year report cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the Group as that of the full financial report. It is recommended that this financial report be read in conjunction with the company's financial report for the year ended 30 June 2009 and any public announcements made by IM Medical Limited during the half year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001* and the ASX listing rules.

Australian Accounting standards include AIFRS's and compliance with these standards ensures that the consolidated financial statements and notes of IM Medical Limited comply with International Financial Reporting Standards (IFRS). This financial report has been prepared under the historic cost convention.

The same accounting policies and methods of computation have been followed in this interim financial report as compared with the most recent annual financial report.

AASB 134 "*Interim Financial Reporting*" generally only requires disclosure of accounting policies that have changed from those used in the prior annual accounting period.

New or revised Standards and Interpretations that are first effective in the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 8 Operating Segments
- AASB 101 Presentation of Financial Statements
- AASB 3 Business Combinations

Going concern basis

The consolidated entity is an emerging medical technologies business and as such expects to be cash absorbing until its technologies are fully commercialised. For the half year ended 31 December 2009 the consolidated entity incurred a net loss of $910,869 and incurred negative cash flows from operations of $533,877. As at 31 December 2009, consolidated entity had accumulated losses totalling $15,410,376 and available cash resources of $29,331. As at 31 December 2009 the consolidated entity had current liabilities of $424,219 which exceeded the current assets of $158,795.

Whilst the consolidated entity does not have sufficient cash resources to fund its current level of activities for at least the next 12 months, and there are significant uncertainties as to the exact timing and form of additional fund raising, the directors have reasonable expectation that it can raise the required additional cash resources. These financial statements have therefore been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Directors believe the going concern basis of preparation to be appropriate given the following:

- The company currently has a $5,000,000 equity facility with Fortrend Pty Ltd expiring in April 2011. This facility allows the company to draw down funds during the period of the facility. The total amount of funds available at any one draw down is dependent on a number of factors including:
  - the share price for 5 consecutive days preceding the draw down; and
  - trading volumes of IMI shares for 5 consecutive days preceding the draw down or a set percentage of equity.

  Between 1 July 2009 and 31 December 2009, the company has raised cash totalling $273,172 from the issue of shares. Subsequent to 31 December 2009 the company has raised cash totalling $315,900 from the issue of shares. The directors are confident that further funds from equity raising can and will be obtained.

- On 31 July 2009 the Company signed an acquisition agreement with the Mark Scott Group ("MSG"). The acquisition agreement contains a number of conditions precedent required to be fulfilled before 28 March 2010. The conditions precedent included the reassignment, funding or payouts of the hire purchase leases currently held by the MSG with the NAB, and a number of operating leases / rentals with Alleasing and CBA Health. At the date of this report the condition precedent relating to the reassignment, funding or payouts of the hire purchase leases currently held by the MSG with the NAB has not been satisfied. In the event that the acquisition is completed the directors believe that the Mark Scott Radiology Group will contribute positive cash flows to the consolidated entity.

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding and the consolidated entity's ability to effectively manage its expenditures, the directors believe that the consolidated entity will continue to operate as a going concern for the foreseeable future and therefore that it is appropriate to prepare the financial statements on a going concern basis.

In the event that the consolidated entity is unable to raise sufficient funds as set out above, there is significant uncertainty whether the consolidated entity could continue as a going concern. If the consolidated entity is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

2. Issued capital

	Consolidated 31 Dec 2009		Consolidated 30 Jun 2009	
	Number	$	Number	$
(a) Issued capital				
Ordinary shares fully paid	1,684,430,079	15,597,150	1,598,205,079	15,323,978
Share option reserve	-	-	22,859,355	-
		15,597,150		**15,323,978**
(b) Movements in shares on issue				
Balance at beginning of the financial period	1,598,205,079	15,323,978	1,206,908,303	13,947,910
Equity raisings **(i)(ii)**	86,225,000	273,172	366,296,776	1,246,254
less transaction costs	-	-	-	(65,186)
Issue of ordinary shares in lieu of services	-	-	15,000,000	45,000
Issue of ordinary shares in lieu of CEO services	-	-	10,000,000	150,000
Exercise of options	-	-	-	-
Balance at the end of the financial period	**1,684,430,079**	**15,597,150**	**1,598,205,079**	**15,323,978**

(i) Equity raisings – half year ended 31 December 2009

Date	Details	Number	Issue price	$
19 Aug 2009	New issue of ordinary shares	4,525,000	$ 0.00378	17,104
29 Sep 2009	New issue of ordinary shares	7,700,000	$ 0.00324	24,948
07 Oct 2009	New issue of ordinary shares	14,000,000	$ 0.00333	46,620
02 Nov 2009	New issue of ordinary shares	30,000,000	$ 0.00333	99,900
02 Dec 2009	New issue of ordinary shares	10,000,000	$ 0.00288	28,800
17 Dec 2009	New issue of ordinary shares	20,000,000	$ 0.00279	55,800
		86,225,000		273,172

(ii) Movements in shares on issue

The issues of ordinary shares on 19 Aug 2009, 29 Sept 2009 and 07 Oct 2009 were approved by shareholders at the annual general meeting held on 30 November 2009.
The issue of ordinary shares on other dates has not yet been approved by shareholders and have been issued under ASX Listing Rules 7.1 and 7.4.

	Consolidated 31 Dec 2009		Consolidated 30 Jun 2009	
	Number	$	Number	$
(c) Movements in share option reserve				
Balance at beginning of the financial period	-	-	68,500,000	-
Exercise of options and transfer to issued capital	-	-	-	
Expiration of options	-	-	(68,500,000)	-
Balance at the end of the financial period	-	-	-	-

3. Net tangible asset

	31 Dec 2009	30 Jun 2009
Net tangible assets	$186,774	$824,471
Number of shares on issue	1,684,430,079	1,598,205,079
Net tangible asset backing (cents)	0.01c	0.05c

4 Accumulated losses

	31 Dec 2009 $	30 Jun 2009 $
Balance at beginning of the financial period	(14,499,507	(12,047,942)
Net loss attributable to members	(910,869)	(2,451,565)
Balance at end of the financial period	(15,410,376)	(14,499,507)

5. Significant transactions

There are no significant transactions outside of those events reported in the review of operations and this financial report.

6. Subsequent events

On 4 January 2010, the Company issued 20 million Ordinary shares to Fortrend Securities P/L under its Standby Subscription agreement. The Company also issued on 14 January 2010, 10 million ordinary shares and on 28th January 2010 15 million ordinary shares to Fortrend Securities P/L under its Standby Subscription agreement. A further 40 million ordinary shares were issued to Fortrend Securities P/L under its Standby Subscription agreement on 29 January 2010 and 15 million ordinary shares on 19 February 2010. These issues raised funds of $315,900. All capital raisings will be used for the company's working capital requirements.

7. Dividends

The Company resolved not to declare any dividends in the period ended 31 December 2009.

8. Segment information

The Group has adopted AASB 8 *Operating Segments*. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

In previous years segment information was not provided.

The accounting policies of the new reportable segments are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review.

	Revenue		Segment profit	
	Half -year ended		Half -year ended	
	31 Dec 2009 $	31 Dec 2008 $	31 Dec 2009 $	31 Dec 2008 $
Continuing operations				
Intelliheart tests	67,137	43,251	(291,246)	(692,873)
Corporate	(8,656)	30,008	(619,623)	(1,083,345)
Profit(loss) before tax			(910,869)	(1,776,218)
Income tax expense			-	-
Consolidated segment revenue and loss for the period	58,481	73,259	(910,869)	(1,776,218)

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by reportable operating segment:

	31 Dec 2009 $	31 Dec 2008 $
Continuing operations		
Intelliheart tests	458,192	729,386
Total segment assets	458,192	729,386
Corporate assets	162,978	340,589
Total assets	621,170	1,069,975

9. Contingent liability

An entity in the Group is a third defendant in a legal action involving executive health tests conducted in 2006. The directors believe, based on legal advice, that no losses are likely to be incurred as a result of this legal action.

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

26 February 2010

The Board of Directors
IM Medical Limited
Level 1
117 Church Street
HAWTHORN VIC 3122

Dear Board Members

IM Medical Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of IM Medical Limited.

As lead audit partner for the review of the financial statements of IM Medical Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Rachel Smith

Rachel Smith
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

Independent Auditor's Review Report to the members of IM Medical Limited

We have reviewed the accompanying half-year financial report of IM Medical Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2009, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 14.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the IM Medical Limited's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of IM Medical Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Deloitte.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Material Uncertainty Regarding Continuance as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of $910,869 and incurred negative cash flows from operations of $533,877 during the period ended 31 December 2009. As at 31 December 2009 the consolidated entity had accumulated losses of $15,410,376 and had current liabilities of $424,219 which exceeded the current assets of $158,795. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and whether it will realise it's assets and extinguish it's liabilities in the normal course of business at the amounts stated in the financial report.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Rachel Smith

Rachel Smith
Partner
Chartered Accountants
Melbourne, 26 February 2010