2011 ANNUAL REPORT

SomnoMed®
Dental • Sleep • Medical

Performance & Innovation

SomnoMed Limited
ACN: 003 255 221

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CHAIRMAN'S LETTER

Dear SomnoMed Shareholder,

It is with pleasure that we submit to you our Annual Report for the financial year 2010/11. For the fourth year, since the restructuring of our company took place, we were able to produce significant growth and progress. From a loss of over $3 million in the financial year 2006/07 we now have pride in showing an EBITDA of $1 million and a net profit of almost $700,000 for the financial year passed.

We moved from selling 3,500 units in 2006/07 to over 25,000 in 2010/11, from operating in two markets with Australia representing 90% of our sales, to a presence in 23 countries on four continents, with Australia now representing just 10%.

Similarly impressive are other statistics: our gross margin developed from just $1 million, representing 44% in 2006/07, to a gross margin of $8.18 million, representing 66.3% in 2010/11. This allowed us to grow our operating profit before corporate overheads, research and development from a negative $1.5 million to a positive of over $3 million.

You, our shareholders, together with growing numbers of investors and analysts, rewarded us with increasing recognition and support. Our shareholders' register today looks quite different from what it was in December 2006, at the time when we restructured SomnoMed Limited – a number of institutional investors have joined us, especially over the last two years, and several are now amongst our top twenty shareholders; most of them are investment funds specialized in small cap companies belonging to very reputable firms and larger institutions.

All this resulted in a steady increase in our company's share price and market capitalisation. In December 2006, before the restructuring, the market capitalisation of SomnoMed Limited had reached an all-time low of less than $1.5 million. The initial capital raising of around $4 million restructuring our company at that time, was followed in late 2007 with an additional raising of $5 million. At the end of last financial year, on the 30 June 2011, the market capitalisation of our company exceeded $50 million. An investment of 20 cents in a new share issued by SomnoMed Limited in December 2006 increased more than sixfold and closed at $1.25 on the 30 June 2011, after it has hit a high of $1.49 on the 5 May 2011.

We at SomnoMed believe that this is only the beginning. Of millions of diagnosed patients, we are now treating just over 70,000 worldwide. Significant work lies ahead but the opportunity to treat in the future hundreds of thousands of sleep disordered patients around the world in a compliant, effective and patient friendly manner is filling all of us with great excitement. Every year represents a step on our way of building SomnoMed as the leading medical device company in the world, providing oral appliance therapy to sleep disordered breathing patients.

We are grateful for your support and are looking forward to sharing our success in the future with you as our shareholders.

Yours faithfully,

Peter Neustadt
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders,

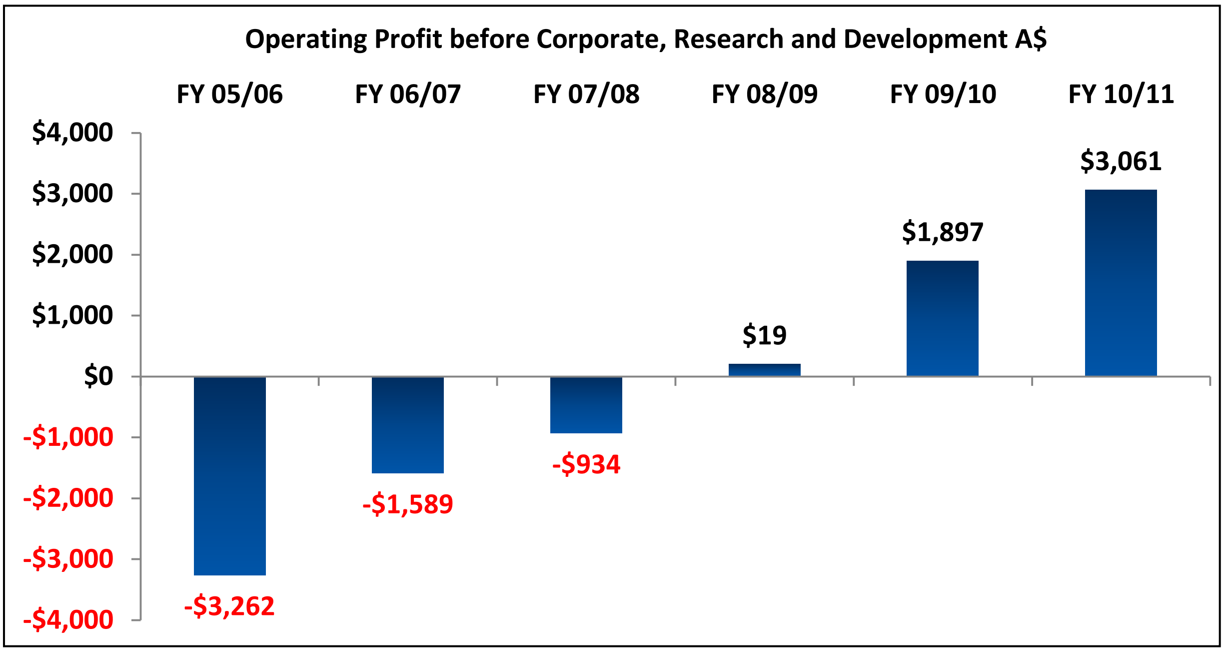
Looking back to the financial year 2010/11 it gives me pride to report yet another strong year of performance for SomnoMed worldwide. Whilst the global business environment continued to be challenging across all industries, we managed to stay on course, broadened the worldwide presence, upgraded operations and quality control processes. The number of apnea patients treated with a SomnoDent® has increased to now over 70,000 worldwide, since inception of the company. SomnoMed has grown-up to be a young global medical device company, present in 23 countries, with now over 100 employees.

Globally, a total of 25,119 units were sold during the year, showing a growth of 28%, compared to the previous year's sales of 19,543 units. Total sales revenues for the year were $12.34 million, 15.1% higher than in the previous year, having been adversely affected by exchange rate movements. Revenue growth with constant exchange rates would have been 26.7%. The total gross margin grew by 34% from $6.08 million in FY 09/10 to $8.17 million.

Operating profit before corporate, research and development expenses rose by 61% to $3.061 million from $1.897 million. This was despite sales & marketing expenses increasing by 38% year on year, as SomnoMed continued to build its global marketing and distribution network.

EBITDA improved for full year to $991,000 from $269,000 in the prior year. An operating profit before tax of $667,000 has been achieved for the year, compared to $114,000 in the previous year.

A snapshot of the company's improved profitability is contained in the graph below:-



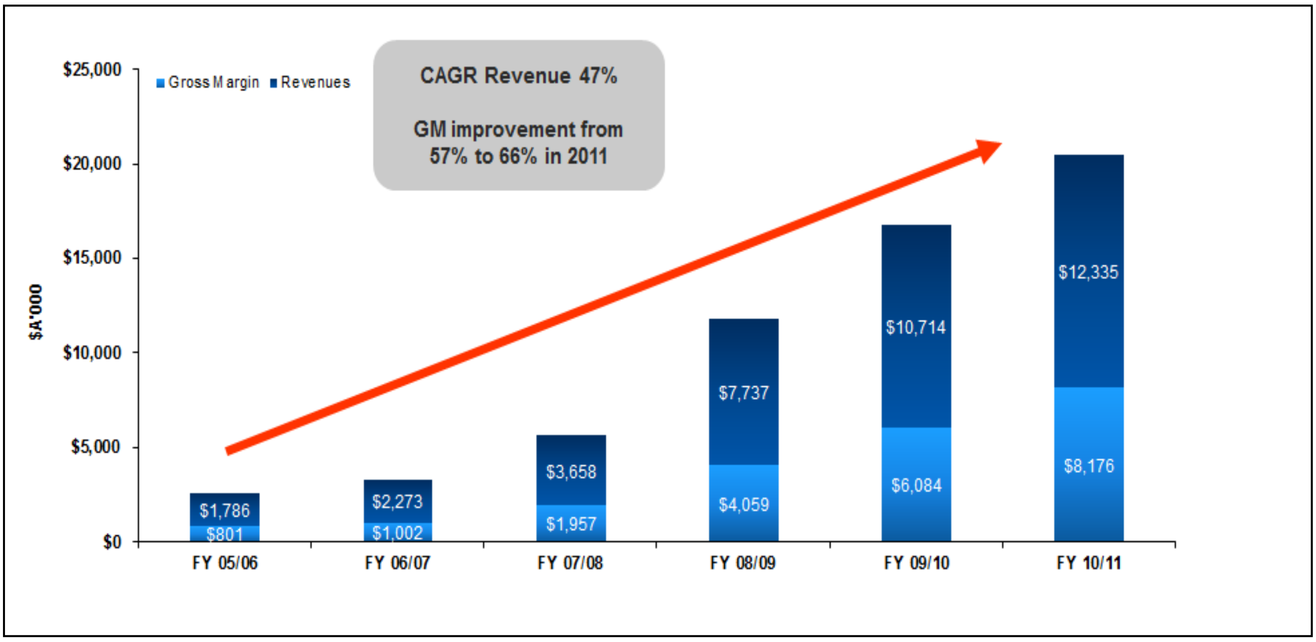
SOMNOMED GLOBAL OPERATIONS

The company operates in 23 countries worldwide through its wholly owned subsidiaries in Australia, Singapore, Philippines, Japan, USA and Europe. SomnoDent® is the world's most recognized oral appliance treatment for obstructive sleep apnea. With now over 70,000 documented patients worldwide, it is the gold standard in its product category. The sleep apnea product line includes now SomnoDent Classic, Flex and Edent.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

SOMNOMED GLOBAL OPERATIONS (CONTINUED)

Somnomed is well placed operationally and technically to manage and up-scale our planned growth, yet maintaining our first class manufacturing standard and quality. SomnoMed has global production facilities with our licensed partners and wholly owned SomnoMed production facilities in Dallas, USA, Sydney, Australia and Manila, Philippines. The gross margin rose from an average of 57% in the previous year to 66% in FY 2010/11; this was driven by improvements in labour productivity, better use of materials and much improved unit costs in logistics.



EUROPE

For the first time in the company's history the European operation was profitable for the full year and the outlook remains very positive. Europe's unit growth was 98% for 2010/2011 and is now contributing 25% of worldwide SomnoDent® unit sales, compared with 16% in FY 09/10. Following the past year's strong growth in Europe, SomnoMed will be expanding its European business activities, with new offices to be opened in France and Germany, as well as adding new personnel to our European headquarters in Zurich, Switzerland. SomnoMed Nordic is moving into new facilities in Stockholm, with a wider scope of clinical training and technical services.

Over the past 3 years we have seen a positive change of regulatory requirements in several European countries where there is increased funding or full reimbursement of the oral appliance treatment for sleep apnea in mild, moderate and in severe patients with CPAP intolerance. SomnoMed is ideally positioned as the only Swiss Medic accredited medical device company in its field, ISO 13485 certified with 15 independent clinical studies for the SomnoDent® therapy. We continue to support such clinical studies in Europe, with the view to further substantiate the SomnoDent® therapy as a viable solution in the treatment of Obstructive Sleep Apnea.

SMH BIOMATERIAL AG

The 50/50 joint venture between SomnoMed and the owner of all IP relating to the core product SMH BFlex continues to be a profitable venture. SMH B Flex the unique and worldwide exclusive material for SomnoDent® and SomnoBrux is growing in acceptance; SMH B Flex material is now being used in over 70% of our oral appliances.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

NORTH AMERICA

The past year has delivered again robust improvements in unit sales growth, revenues, gross margins and profitability supporting our claim to market leadership in the US oral appliance treatment market. The year has seen a transformation of SomnoMed Inc. from a dental laboratory focused operation to a modern medical device facility. The new state-of-the art US headquarters in Dallas/Frisco incorporates all operations under one roof.

Given the importance of the US market, generating approximately 63% of the company's global unit sales, it was appropriate for me to relocate to the US in March 2011. The USA remains the company's major market and offers enormous future opportunities. Together with our new US senior management team, which commenced during the year past, I will be closely involved in taking the US operation to the next level of its development.

There are many initiatives the company is undertaking in the US to continue its growth in the US market, one of which is the SomnoMed Academy, which educates dentists interested in the SomnoDent® treatment solution and also facilitates the implementation of Dental Sleep Medicine within the dental practice. The SomnoMed Academy has, through its improved educational framework, expanded its reach and ability to bring more and more dentists and sleep physicians to the exciting world of Dental Sleep Medicine.

One of the milestones in the past year was again the company's representation at the annual USA conference SLEEP 2011, this year in Minneapolis. More than 6,000 delegates in total attended the Dental and Medical Sleep conferences over the 6 days. More medical practitioners and sleep specialists visited our impressive stands at the exhibitions, were brought up to date with the newest developments and now see the SomnoDent® oral appliance therapy as an effective and patient friendly alternative for the treatment of sleep disordered breathing conditions. In the year ahead SomnoMed's aim is to generate further growth in the sale of our leading range of products by establishing our company as the recognized leading force in the medical arena of the sleep disordered breathing market in the US and around the world.

AUSTRALIA, NEW ZEALAND, ASIA, JAPAN AND ISRAEL

Australia remains a strong base for the region, now contributing 12% of worldwide SomnoDent® unit sales. With a professional team in place SomnoMed remains to be the market leader. In Australia the SomnoMed dental network was kept on a stable level but generated an increased number of patient treatments; this is the result of the reinforced strategic focus on the build-up and development of the SomnoMed medical network. On a smaller scale, Japan is progressing well, with Asia slowly developing, with modest volumes and South Korea now playing a more active part of the business development in this region.

SomnoMed has signed an exclusive distribution agreement with SleepDent Limited covering all major sleep centers and hospitals in Israel. SleepDent Limited, in conjunction with SomnoMed Limited, had conducted an extensive clinical trial for over a year in Israel, involving patients not tolerating a CPAP treatment. The results once again have shown the clinical effectiveness of a SomnoDent® therapy in mild, moderate and severe cases. First discussions with Israeli health insurance companies have been initiated by SleepDent and will hopefully result in reimbursement for the SomnoDent® sleep apnea treatment.

PRODUCT INNOVATION AND DEVELOPMENT

Corporate, research and development expenses rose from $1.77 million to $2.30 million. Most of the increase was due to expenditure related to contributions made to clinical research and IP related legal costs and, most importantly, product development expenses relating to new products scheduled for release during the current financial year 2011/12.

With the official introduction of the new SomnoDent® G2 for the treatment of sleep apnea and the diagnostic instrument SomnoMed MATRx at the US Sleep Convention, held in Minneapolis in June 2011, the focus for the 2011/12 financial year will be on broadening SomnoMed's product line.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

PRODUCT INNOVATION AND DEVELOPMENT (CONTINUED)

The SomnoDent® G2 is a new addition and next generation of the apnea product range. It combines a smaller, innovative design and metal free functionality, improving patient comfort in the treatment even further. Its patented design allows a higher manufacturing output, without compromising the individual specification and the unparalleled quality of our custom fabricated devices. The SomnoDent® G2 is currently awaiting FDA approval.

What was introduced at SLEEP 2010 in San Antonio as a mere concept, the "RCMP" has become reality with the introduction of SomnoMed MATRx, a revolutionary sleep diagnostic device to identify patients responding to the SomnoDent therapy during a Polysomnography (PSG) sleep study. MATRx, developed by the legendary Professor John Remmers, father of the APAP technology, represents a revolutionary development in patient diagnosis and prediction of treatment success of oral sleep apnea appliances in a sleep laboratory. We expect the test and identification of sleep disordered breathing patients, who can be successfully treated with an oral appliance, will result in more medical practitioners feeling encouraged to prescribe SomnoDent® devices for their patients in future. The SomnoMed MATRx is currently awaiting FDA approval.

During 2010/2011 we introduced the SomnoBrux product range into the Australian market and more recently into the USA. Sales are developing well in Australia and augur well for the products future in the US market.

LOOKING AHEAD

Over the past 4 years the company has grown from a start-up to a young, global and profitable enterprise. The financial year 2010/11 has proven again the validity of our strategic model to develop and build a strong, sustainable medical device company in the field of Sleep. SomnoMed now enters its next phase of transformation to become a larger global player, with programs in place to accelerate the number of oral appliance treatments for sleep disorder breathing conditions. Task Force Medical is our company's latest initiative addressing this opportunity to establish SomnoMed and its range of treatment options within the medical fraternity.

We are still at the beginning of the journey and I would like to thank all our dedicated employees around the world for their commitment and efforts to make SomnoMed continually a bigger and stronger company. My special thanks go to our growing number of SomnoMed dentists who support our philosophy and rely on the first class quality of our products delivering a medically approved device for a medical treatment. The growing SomnoMed medical network is proof of the increasing acceptance and trust we receive from medical practitioners and we are very grateful for their support and confidence in our company and its products. Thank you as well to our shareholders for their continued support and trust in the company, and its management.

Our slogan for FY 11-12 is "The time is now" as we enter a new phase for the company trying to help millions of diagnosed and untreated patients worldwide to be treated in a friendly, less invasive and effective way. SomnoMed, proud to be part of.

Ralf Barschow
Chief Executive Officer

SOMNOMED LIMITED
ACN 003255221
DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2011.

Directors

The names of directors in office at any time during or since the end of the year are:

Peter Neustadt

Graham Hurst

Paul Hopper

Directors have been in office since the start of the financial year to the date of this report, unless otherwise stated.

Principal Activity

The principal activity of the Consolidated Entity during the financial year was the commercialisation of the SomnoDent® MAS and other oral devices for sleep related disorders in Australia and overseas.

There were no other significant changes in the nature of the Consolidated Entity's principal activities during the financial year.

Operating Results

The consolidated profit of the Consolidated Entity amounted to $739,537 (2010: $786,143)

Dividends Paid or Recommended

There is no dividend paid, declared or recommended.

Significant Changes in State of Affairs

Other than as stated above and in the accompanying financial report, there were no significant changes in the state of affairs of the Company during the reporting year.

After Balance Date Events

The directors are not aware of any matter or circumstance that has arisen since the end of the year to the date of this report that has significantly affected or may affect:

(i) The operations of the company and the entities that it controls

(ii) The results of those operations

(iii) The state of affairs of the Company in subsequent years.

Future Developments

The Company will continue to produce and sell devices for the oral treatment of sleep related disorders in Australia and overseas.

Directors

Peter Neustadt
Chairman (Non-executive), Member of the Audit Committee

Dr. Peter Neustadt, born in Germany, studied in Switzerland at St.Gall Graduate School for Business & Economics, where he earned a Master in Economics (lic.oec.HSG) Doctorate in Business Administration (Dr.oec). He worked for McKinsey & Company based in Switzerland and in Mexico.

Dr Neustadt moved to Australia and joined Kerry Packer in 1980 as a member of the executive board of Consolidated Press Holdings. He was Executive Chairman and principal shareholder in diverse media group Communications & Entertainment Limited until 1987. He founded and managed resort and property group Cypress Lakes Group Limited and The Golden Door group of companies until the end of 2005. Dr Neustadt also served on the board of Channel Ten, Advance Bank, Trafalgar Properties Limited and Manboom Pty Ltd.

He is currently Chairman of mortgage and financial services group Vow Financial Holdings Pty Limited and technology group FireWatch Australia Pty Limited. He is a member of a number of private company boards in Australia and in Europe.

Paul Hopper
Director (Non-executive)

Mr. Hopper has over 20 years international experience in the management and funding of biotechnology and healthcare public companies, and has served on the Boards of more than a dozen public companies in the US, Asia and Australia.

Mr. Hopper is a Director of pSivida Corp, the Chairman of Viralytics Limited, and a Director of iSonea.

Mr. Hopper is Managing Director at the Los Angeles investment bank, Cappello Group.

Graham P. Hurst
Director (Non-executive), Chairman of the Audit Committee

Graham Hurst is an experienced investor with over forty years experience in capital markets. He became a member of the Sydney Stock Exchange in 1968 and was subsequently a director of the Sydney Stock Exchange for five years and on the Exchange's national listing committee during this time.

Graham has acted as financial advisor to a number of companies.

Company Secretary
Terence Flitcroft B Comm CA FSIA

Terence has been Company Secretary since 1995.

Board Member's Directorships

Listed below are details of other listed public company directorships held by Board Members over the last three years.

Director	Directorship of	Date Appointed	Date Resigned
Graham Hurst	Golden Tiger Mining Limited	2 November 2006	23 August 2010
Peter Neustadt	No other listed public company directorship		
Paul Hopper	pSivida Corp	14 July 2008	Current
	Viralytics Pty Limited	4 September 2008	Current
	Fibro Science Inc.	9 September 2009	September 2010
	iSonea Limited	30 October 2010	Current

DIRECTORS' REPORT (CONTINUED)

Directors' Interests in Securities

As at the date of this report, details of Directors who hold shares or options in the company for their own benefit or who have an interest in holdings through a third party are detailed below.

Director	**Shares**	**Options over Ordinary Shares**
Graham Hurst	691,000	-
Peter Neustadt *	3,496,023	-
Paul Hopper *	100,000	-

* Held by entities associated with the Director and in which he has a financial interest

Meetings of Directors

The number of meetings of the Company's Board of Directors and each board committee held during the year to 30 June 2011 and the number of meetings attended by each director were:

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS			
			AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Paul Hopper	12	12	-	-	3	3
Peter Neustadt	12	12	2	2	3	3
Graham Hurst	12	11	2	2	3	3

Indemnifying Directors or Officers

Each Director has entered into a Deed with the Company under which the Director is given access to documentation and in addition is:

- indemnified by the Company to the full extent permitted by law against all liabilities sustained or incurred through acting as a Director (under the Corporations Act the indemnity does not extend to a liability owed to the Company or its related bodies corporate, or which arises out of conduct involving a lack of good faith, or is for a pecuniary penalty order under section 1317G of the Corporations Act or a compensation order under section 1317H of the Corporations Act);
- indemnified by the Company to the full extent permitted by law against legal costs and expenses incurred in defending an action for a liability incurred as an officer of the Company (under the Corporations Act the indemnity does not extend to costs incurred in circumstances where the Director is found to have a liability for which the Director cannot be indemnified, or costs of defending or resisting criminal proceedings in which the Director is found guilty or defending proceedings brought by ASIC or a liquidator for a court order where the court holds that the grounds for making the order are established, or costs of proceedings seeking relief for the Director under the Corporations Act where the court denies relief);
- entitled to a loan to meet the costs of defending or responding to any such claim or proceeding; and
- entitled to have the Company maintain and pay premiums in respect of directors' and officers' insurance.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of SomnoMed Limited support and have adhered to key principles of corporate governance. Please refer to page 15 of this annual report for more information.

Environmental regulations

The company's operations are not materially affected by environmental regulations.

Proceedings on Behalf of Company

No person has applied for leave of 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.

Options

At the date of this report the unissued ordinary shares of SomnoMed Limited under option are as follows:

Grant Dates	Date of Expiry	Exercise Price	Number under Option
15 October 2008	31 October 2011	$0.80	125,000
3 September 2009	30 September 2012	$0.58	332,500
15 October 2009	31 October 2012	$0.58	132,500
3 September 2010	30 September 2013	$0.99	350,000
15 October 2010	31 October 2013	$1.03	125,000
19 September 2011	30 September 2014	$1.58	260,000
			1,325,000

Options that were granted over unissued shares during or since the end of the financial year by the company to directors or any of the specified officers as part of their remuneration are detailed below:

Optionholder	Exercise price (cents)	Options
Ralf Barschow	158	260,000
Ralf Barschow*	99	260,000
Neil Verdal Austin	103	125,000
Chris Bedford*	99	50,000
		695,000

* Reported in previous year's Directors' Report

A total of 1,495,000 options have been exercised since the end of the last financial year.

A total of 27,500 options expired or lapsed since the end of the previous financial year, which were not reported in the previous year's Directors' Report.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of SomnoMed Limited and for the executives receiving the highest remuneration.

Remuneration Policy

The remuneration policy of SomnoMed Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Consolidated Entity's financial results. The board of SomnoMed Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Consolidated Entity, as well as create goal congruence between directors, executives and shareholders.

The following table shows the gross revenue and results for the last two years for the listed entity, as well as the share price at the end of the respective financial years.

	2011	**2010**
Revenue	$12,606,497	$10,992,000
Net profit	$739,537	$786,143
Share price at year end	$1.25	79.5 cents

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Consolidated Entity is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee, which currently is the entire board. All executives receive a total remuneration package, which may include a base salary (commensurate with their expertise and experience), superannuation, fringe benefits, options and performance incentives. The remuneration committee reviews executive packages annually by reference to the Consolidated Entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured with each executive and is based predominantly on the forecast growth of the company financial performance and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee option arrangements.

Senior executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black and Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Fees for non-executive directors are not linked to the performance of the Consolidated Entity. However, to align directors' interests with shareholder interests, the directors hold options in the company.

Performance Based Remuneration

As part of senior executives' remuneration packages there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with executives. The measures are specifically tailored to the areas each executive is involved in and has a level of control over. The KPIs target areas the board believes will improve the performance of the company, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the group.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, SomnoMed Limited bases the assessment on audited figures where appropriate.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of options to directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy should be effective in increasing shareholder wealth over the medium term.

The board will review its remuneration policy annually to ensure it is effective.

Performance Income as a proportion of Total Remuneration

Senior executives are paid performance based bonuses based on a proportion of their total remuneration package. The remuneration committee has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and financial performance of the Consolidated Entity. The remuneration committee will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

All senior executives' remuneration for the year ended 30 June 2011 had a fixed component and a variable component of their overall remuneration, with the variable part of their remuneration paid subject to a performance condition.

Options Issued as part of remuneration for the year ended 30 June 2011

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to directors and executives of SomnoMed Limited and its subsidiaries to increase long term goal congruence between executives, directors and shareholders.

Company Directors/ Executives	Granted Number	Grant Date	Value per Option at Grant Date	First Exercise Price	Earliest Exercise Date	Last Exercise Date
Ralf Barschow	260,000	3 September 2010	23 cents	99 cents	30 September 2012	30 September 2013
Chris Bedford	50,000	3 September 2010	23 cents	99 cents	30 September 2012	30 September 2013
Neil Verdal-Austin	125,000	15 October 2010	30 cents	103 cents	31 October 2012	31 October 2013

DIRECTORS' REPORT (CONTINUED)

Employment Contracts of Directors and Senior Executives

The employment conditions of the chief executive officer and specified executives are formalised in contracts of employment or its wholly owned subsidiary. All executives are permanent employees of SomnoMed. No contract is for a fixed term. Each contract states it can be terminated by the company by giving up to six months notice and by paying a redundancy of between three to six months.

Directors' remuneration

The following table discloses the remuneration of Directors of the company for the year ended 30 June 2011, as specified for disclosure by AASB 124. The information contained in this table is audited.

	Short-term Benefits		Post- Employment Benefits		
	Salary & Fees	**Other**	**Superannuation**	**Termination Benefits**	**Total**
Director	**$**	**$**	**$**	**$**	**$**
Peter Neustadt (1)					
-2010	108,896	-	-	-	108,896
-2011	116,332	-	-	-	116,332
Graham Hurst					
-2010	40,000	-	3,600	-	43,600
-2011	43,750	-	3,938	-	47,688
Paul Hopper					
-2010	40,000	-	-	-	40,000
-2011	47,687	-	-	-	47,687
TOTAL 2010	188,896	-	3,600	-	192,496
TOTAL 2011	207,769		3,938	-	211,707

(1) Dr Neustadt is a director of Belgove Pty Limited, which received consultancy fees during this and the previous year. Refer Note 28 (b) of the accounts for further information.

(2) No Director receives any performance related remuneration.

Executives' remuneration

The following table discloses the remuneration of the specified executives of the company and the consolidated entity for the year ended 30 June 2011, as specified for disclosure by AASB 124. The information in this table is audited.

	Short-term Benefits		Post-Employment Benefits	Share-based Payment			Percentage of Remuneration
Executive	Salary & Fees	Other	Superannuation	Options (1)	Termination Benefits	Total	Performance Related
Chris Bedford							
-2010	141,500	-	12,420	5,625	-	159,545	3%
-2011	156,030	-	13,662	11,500	-	181,192	14%
Ralf Barschow							
- 2010	336,251	-	25,000	29,250	-	390,501	3%
- 2011	346,386	2,381	37,494	59,800	-	446,061	13%
Neil Verdal-Austin							
- 2010	189,750	-	16,515	34,612	-	240,877	3%
- 2011	213,879	-	18,167	37,500	-	269,546	9%
John Truitt (2)							
-2010	252,225	17,268	-	9,563	-	279,056	9%
-2011	30,994	-	-	-	-	30,994	-
TOTAL 2010	**919,726**	**17,268**	**53,935**	**79,050**	**-**	**1,069,979**	
TOTAL 2011	**747,289**	**2,381**	**69,323**	**108,800**	**-**	**927,793**	

(1) The option amounts disclosed are based on the assessed fair value at the date of grant using the Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. All options discussed above have vested in the current reporting period on the grant date.

(2) Resigned July 2010.

For the year ended 30 June 2011 the Company had three (2010 – four) persons employed who were deemed to be specified executives.

The key management personnel of the consolidated group comprise the directors and the specified executives.

DIRECTORS' REPORT (CONTINUED)

Other Information

Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Fees of $3,500 for non-audit services were paid/payable to the external auditors during the year ended 30th June 2011.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30th June 2011 is set out on page 50 of this annual report.

Signed in accordance with a resolution of the Board of Directors.

Peter Neustadt
Chairman

22 September 2011

CORPORATE GOVERNANCE STATEMENT

Corporate Governance

The Company formally has adopted corporate governance policies and practices as provided by the ASX Listing Rules and the principles of the ASX Corporate Governance Council. The Directors are of the opinion that the Company has complied with the above-mentioned policies. Set out below is more information on the Company's corporate governance policies.

Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the director's report.

The Board reviews its composition and assesses nominations for new appointments from time to time to ensure the right balance of skills and experience.

The majority of the Board are to be independent directors, having no business or other relationship that could compromise their autonomy.

The Chairman and Chief Executive Officer roles are to be held by different persons.

The Chief Executive Officer may also be a director of the Company. Non-executive directors retire by rotation in accordance with clause 16 of the Constitution.

Newly appointed directors must stand for re-election at the next Annual General Meeting in accordance with clause 16 of the Constitution, with the exception of the Managing Director.

The Board regularly assesses the independence of each non-executive director in the light of interests disclosed by them. The Company does not consider length of tenure as disqualifying criteria for independence.

An independent director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In assessing the independence of each director, the board takes into consideration whether the director's shareholding in the Company, relationships with suppliers, customers and competitors, or tenure as a director of the Company would materially affect the director's ability to exercise unfettered and independent judgement in the interests of the Company's shareholders.

Consistent with the emphasis on 'substance over form' advocated by the ASX Guidelines, the Board takes a qualitative approach to materiality, rather than setting strict numerical thresholds, and considers each director's individual circumstances on its merits.

The independence of each director is formally reviewed annually in June each year and at any time when a change occurs that may affect a director's independence. Non-executive directors must formally advise the Chairman of any relevant information, and update the Chairman if their circumstances change at any time.

The names of independent directors of the company are Paul Hopper and Graham Hurst.

Independent directors have the right to seek independent professional advice at the company's expense in the furtherance of their duties as directors. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the company.

The Board has created a number of standing committees:

Audit Committee

Remuneration Committee

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the Constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Somnomed Limited, to lodge questions to be responded by the Board and/or the CEO, and are able to appoint proxies.

Role of the Board

The Company recognises that corporate governance is fundamental to the effective operation of the Company. The Board is the pivotal element of corporate governance, and the Company desires its Board to be effective, independent, representative of stakeholders and valuable to the organisation.

The Board's role is to provide governance of the Company in the best interests of shareholders, having regard to the interests of all stakeholders of the Company. The specific responsibilities of the Board include:

- the overall corporate governance of the Company including its strategic direction, financial objectives, and overseeing (or supervision) of control and accountability systems;
- Input into and approval of strategic plans and goal and performance objectives, key operational and financial matters, as well as major investment and divestment proposals;
- appointing and removing the chief executive officer (or equivalent);
- ratifying the appointment and, where appropriate, the removal of the chief financial officer (or equivalent) and the Company Secretary;
- approving the nominations of Directors to the Board;
- ensuring Management maintains a sound system of internal controls to safeguard the assets of the Group;
- monitoring the performance of the Group;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving and monitoring financial and other Board reporting; and
- the approval of the annual and half yearly financial report.

Performance Evaluation

An annual self-assessment of the board and all board members is conducted by the board in such manner, as the board deems appropriate.

Trading Policy

The company's policy regarding directors and employees trading in its securities has been set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Audit Committee

The names and qualifications of those appointed to the Audit Committee and their attendance at meetings of the committee are included in the directors' report.

The role of the Audit Committee is to:

- to review proposed reportable financial information and to recommend its approval or otherwise by the Board;
- to review and assess the Company's accounting policies, and determine in consultation with the Chief Financial Officer if any changes to policy should be enacted;
- to communicate with, and monitor the effectiveness of the Company's external auditor; and
- to make recommendations to the Board for the appointment, reappointment or replacement and remuneration of an appropriate independent external auditor.

Remuneration Committee

The Remuneration Committee comprises the full Board and their attendance at meetings of the committee are detailed in the Directors' Report. The responsibilities of the Remuneration Committee include:

- Assessing the skills and competencies required on the Board, from time to time assessing the extent to which the required skills are represented on the Board;
- Establishing processes for the review of the performance of individual directors and the Board as a whole;
- Encouraging and supporting directors' professional development to enhance director competencies;
- Establishing processes for the identification of suitable candidates for appointment to the Board;
- Developing Board succession plans to maintain an appropriate balance of skills, experience and expertise on the Board;
- Considering recommendations for the appointment and removal of Directors;
- Approving remuneration strategy and policies for senior management and selected packaged employees as well as the individual remuneration arrangements and terms of employment for positions/individuals who are direct reports to the Chief Executive Officer (or similar), ensuring that remuneration policies are not only effective, but that they are also reported and explained to shareholders.

Additional information on the Company's remuneration principles is contained in the Remuneration Report contained in the Directors' Report.

Continuous Disclosure and ASX Announcements

- Directors and Executive Management are to be aware of the continuous disclosure regulations in the ASX Listing Rules.
- In the event that any Director or member of management becomes aware of any fact or circumstance which may give rise to a requirement to disclose such information under the Listing Rules, they are required to immediately inform either the Company Secretary, the CEO (or similar), the CFO or the Chairman.
- Prior to disclosure, the CFO will review the information to enable a judgement as to the appropriate disclosure, if any, to be made.
- If there is uncertainty over the requirement to comply with the continuous disclosure requirements, then the Company will seek external legal advice. The Company, through the Company Secretary, will notify the ASX of any information it is determined is required to be disclosed.

Where announcements are made to the market through the ASX, such announcements are pre-vetted by the CFO, Chairman and Board of Directors to ensure that such statements are:

- factual;
- do not omit material information; and
- are expressed in a clear and objective manner.

Corporate Reporting

The Company strives to convey to its shareholders and the investing public pertinent information in a detailed, regular, factual and timely manner. Information is communicated to shareholders through: the Annual Financial Report, disclosures to the ASX, notices and explanatory memoranda of Annual General Meetings; and SomnoMed's website at www.somnomed.com.au.

Risk Management

The board is committed to the Senior executives and management are expected to practise sensible risk management in the day-to-day performance of their duties and are required to escalate any material issues, which arise or have the potential to arise. The CEO has the primary responsibility to advise the Board of material risk items, which arise and together the Board and senior management are responsible for taking all reasonable steps to address and mitigate such risk items.

SOMNOMED LIMITED

ACN 003255221

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
Sales revenue	5	12,335,730	10,714,174
Cost of sales		(4,159,333)	(4,630,002)
Gross margin		**8,176,397**	**6,084,172**
Sales and marketing expenses		(3,396,279)	(2,455,327)
Administrative expenses		(1,789,160)	(1,785,918)
Net foreign exchange gain on derivative		70,911	54,174
Operating profit before corporate, research and business development expenses, non cash items and income tax		**3,061,869**	**1,897,101**
Corporate, research and business development expenses		(2,303,124)	(1,768,795)
Other revenue and grants	5	177,097	188,437
Revenue from investment activities	5	93,670	89,389
Share and options expense	25c	(122,600)	(87,877)
Depreciation and amortization		(220,819)	(156,396)
Share of profit of associated company		55,606	29,098
Unrealised foreign exchange loss		(73,778)	(76,509)
Operating profit before income tax	6	**667,920**	**114,448**
Income tax benefit attributable to operating profit	7	71,617	671,695
Operating profit attributable to members of the parent entity		**739,537**	**786,143**
Basic earnings per share (cents)	23	1.8	2.0
Diluted earnings per share (cents)	23	1.8	2.0

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	2011 $	2010 $
Profit for the period	739,537	786,143
Other comprehensive income:		
Foreign exchange translation difference for foreign operations	(629,693)	7,371
Other comprehensive income for the period	(629,693)	7,371
Total comprehensive income attributable to members of the parent entity	**109,844**	**793,514**

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2011

	Note	2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalents	8	3,948,718	4,293,676
Trade and other receivables	9	2,201,657	1,583,519
Inventory	10	177,350	197,220
TOTAL CURRENT ASSETS		6,327,725	6,074,415
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,140,456	641,924
Intangible assets	13	328,204	231,674
Investment in associate entity	11	84,704	29,098
Deferred tax asset	7d	850,791	856,701
TOTAL NON-CURRENT ASSETS		2,404,155	1,759,397
TOTAL ASSETS		8,731,880	7,833,812
CURRENT LIABILITIES			
Trade and other payables	14	2,201,822	1,872,625
Provisions	15	307,493	308,834
TOTAL CURRENT LIABILITIES		2,509,315	2,181,459
NON CURRENT LIABILITIES			
Trade and other payables	14	5,483	1,715
TOTAL LIABILITIES		2,514,798	2,183,174
NET ASSETS		6,217,082	5,650,638
SHAREHOLDERS' EQUITY			
Issued capital	16	24,040,829	23,706,829
Reserves	17	827,175	1,334,268
Accumulated losses		(18,650,922)	(19,390,459)
TOTAL EQUITY		6,217,082	5,650,638

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital	Share Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 July 2009	23,270,829	1,286,919	(47,899)	(20,176,603)	4,333,246
Shares issued during the year	436,000	-	-	-	436,000
Share option reserve on recognition of remuneration options	-	87,877	-	-	87,877
Total other comprehensive income	-	-	7,371	-	7,371
Profit attributable to members of parent entity	-	-	-	786,144	786,144
Balance at 30 June 2010	23,706,829	1,374,796	(40,528)	(19,390,459)	5,650,638
Shares issued during the year	334,000	-	-	-	334,000
Share option reserve on recognition of remuneration options	-	122,600	-	-	122,600
Total other comprehensive income	-	-	(629,693)	-	(629,693)
Profit attributable to members of parent entity	-	-	-	739,537	739,537
Balance at 30 June 2011	24,040,829	1,497,396	(670,221)	(18,650,922)	6,217,082

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Receipts from customers		12,617,575	10,578,187
Grants received		166,821	80,713
Payments to suppliers and employees		(12,700,036)	(10,286,826)
Interest received		88,322	89,389
Net cash inflow/(outflow) from operating activities	22	172,682	461,463
Cash flows from investing/financing activities			
Proceeds from issue of shares		334,000	436,000
Payments for intangible assets		(148,649)	-
Proceeds from settlement of forward exchange contract		188,465	-
Payments for property, plant and equipment		(481,507)	(526,815)
Net cash inflow/(outflow) from investing/financing activities		(107,691)	(90,815)
Net increase/(decrease) in cash held		64,991	370,648
Cash at beginning of the financial year		4,293,676	4,008,934
Exchange rate adjustment		(409,949)	(85,906)
Cash at the end of the financial year	21	3,948,718	4,293,676

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. REPORTING ENTITY

SomnoMed Limited is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its controlled entities (together referred to as the Consolidated Entity). The Consolidated Entity produces and sells devices for the oral treatment of sleep related disorders.

2. BASIS OF PREPARATION

a. Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Consolidated Entity and the financial report of the Company comply with International Financial Reporting Standards and Interpretations adopted by the International Accounting Standards Board.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

c. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

d. Use of judgments and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all entities in the Consolidated Entity.

a. Basis of Consolidation

Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in controlled entities are carried at their cost of acquisition in the Company's financial statements.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b. Income Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Sales revenue

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products. Revenue from the sale of goods is recognised upon dispatch of goods to customers.

Other income

Other income, including government grants, is recognised on a systematic basis over the periods necessary to match it with the related costs for which it is intended to compensate or, if the costs have already been incurred, in the period in which it becomes receivable. The income is deemed to be receivable when the entitlement is confirmed. Dividend income from subsidiaries is recognised by the parent when the dividends are declared by the subsidiary.

c. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the relevant taxation authority are classified as operating cash flows.

d. Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of controlled entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary transactions denominated in foreign currencies that are stated at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the date the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, generally are translated to the functional currency at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to the functional currency at rates approximating the foreign exchange rates ruling at the dates of transactions. Foreign currency differences arising from translation of controlled entities with a different functional currency to that of the Consolidated Entity are recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount of its FCTR is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

e. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

f. Financial Instruments

Derivative Financial Instruments

The Consolidated Entity holds derivative financial instruments to hedge its exposure to foreign exchange risk arising from operating, investing and financing activities. In accordance with its treasury policy, The Consolidated Entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives are not hedge accounted and are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value with changes in fair value accounted for as described below.

Non-derivative financial assets and liabilities

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the income statement, any attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Accounting for finance income is discussed in accounting policy (o).

Determination of fair values

The fair value of forward exchange contracts is based upon the listed market price, if available. If a listed market price is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate based upon government bonds.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

g. Provisions

A provision is recognised in the balance sheet when the Consolidated Entity has a present legal or constructive obligation as a result of a past event that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Warranties

Provisions for warranty claims are made for claims in relation to sales made prior to the reporting date, based on historical claim rates and respective product populations. The provision is determined on a discounted cash flow basis. Warranty periods on MAS devices are for up to two years.

Make good lease costs

The Consolidated Entity has an operating lease over its premises that require the premises to be returned to the lessor in its original condition. The operating lease payments do not include an element for the repairs/overhauls. A provision for make good lease costs is recognised at the time it is determined that it is probable that such costs will be incurred in a future period, measured at the expected cost of returning the asset to the lessor in its original condition. An offsetting asset of the same value is also recognised and is classified in property, plant and equipment. This asset is amortised to the income statement over the life of the lease.

Research and development expenditure

Research and development expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

Other intangible assets

Intellectual property, acquired is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (h)).

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment annually. The estimated useful lives for the current and comparative periods are as follows:

Patents- 10 years

h. Impairment

The carrying amounts of the Consolidated Entity's assets, other than inventories (see accounting policy (j)) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit or a group of units and then, to reduce the carrying amount of the other assets in the unit or a group of units on a pro-rata basis.

Calculation of recoverable amount

Receivables

The recoverable amount of the Consolidated Entity's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date. The allowance for impairment is calculated with reference to the profile of debtors in the Consolidated Entity's sales and marketing regions.

Other Assets

The recoverable amount of other assets is the greater of their 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets (cash generating units). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to the cash generating units that are expected to benefit from the synergies of the combination. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of Impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i. Property, Plant and Equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (h)). An asset's cost is determined as the consideration provided plus incidental costs directly attributable to the acquisition. Subsequent costs in relation to replacing a part of property, plant and equipment are recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Consolidated Entity and its cost can be measured reliably. All other costs are recognised in the income statement as incurred.

Leased assets - Operating leases

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property. Minimum lease payments include fixed rate increases.

Lease incentives under operating leases are recognized as a liability and amortised on a straight line basis over the lease term.

Depreciation

Depreciation is recognised in the income statement on a straight-line basis. Items of property, plant and equipment, including leasehold assets, are depreciated using the straight-line method over their estimated useful lives, taking into account estimated residual values. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Depreciation rates and methods, useful lives and residual values are reviewed at each balance sheet date. When changes are made, adjustments are reflected prospectively in current and future financial periods only.

The estimated useful lives in the current and comparative periods are as follows:

Leasehold improvements	1 – 3 years
Plant & equipment	3 – 20 years

j. Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling, marketing and distribution expenses. Cost is based on the first-in-first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

k. Employee Benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave expected to settle within 12 months of the year end represent present obligations resulting from employees' services provided up to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

Share based payments

The Company has granted options to certain directors and employees. The fair value of options and shares granted is recognised as a share and option expense with a corresponding increase in equity. The fair value is measured at the date the options or shares are granted taking into account market based criteria and expensed over the vesting period after which the employees become unconditionally entitled to the options and shares. The fair value of the options granted is measured using the Black-Scholes method, taking into account the terms and conditions attached to the options. The fair value of the performance shares granted is measured using the weighted average share price of ordinary shares in the Company, taking into account the terms and conditions attached to the shares. The amount recognised as an expense is adjusted to reflect the actual number of options and shares that vest except where forfeiture is due to market related conditions.

l. Receivables

Trade and other receivables are stated at amortised cost less impairment losses (see accounting policy (h)).

m. Taxation

Income tax expense in the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of goodwill and other assets or liabilities in a transaction that affects neither accounting nor taxable profit, or differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Taxation (continued)

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based upon the laws that have been enacted at reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on a different tax entity but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

n. Payables

Trade and other payables are stated at amortised cost.

o. Finance income and expense

Interest income is recognised as it accrues in the income statement using the effective interest method.

p. Earnings per share

The Consolidated Entity presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the net profit/(loss) attributable to equity holders of the parent 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 using the basic EPS earnings as the numerator. The weighted average number of shares used as the denominator is 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 adjusted for any bonus issue.

q. Segment Reporting - Determination and presentation of operating segments

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated Entity’s other components if separately reported and monitored. An operating segment’s operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate head office results.

r. Accounting judgment and estimates

Management discussed with the Audit Committee the development, selection and disclosure of the Consolidated Entity's critical accounting policies and estimates and the application of these policies and estimates.

Key sources of estimation uncertainty

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the following areas:

- Intangible assets, Provisions, Employee benefits and Financial instruments

s. Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any income tax benefit.

t. Presentation of Financial Statements

The Consolidated Entity applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Consolidated Entity presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. This presentation has been applied in this Financial Report and for the year ended 30 June 2010.

u. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. None of these are expected to have a significant effect on the consolidated financial statements of the Consolidated Entity except for AASB 9 Financial Instruments, which becomes mandatory for the Consolidated Entities 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Consolidated Entity does not plan to adopt this standard early and the extent of the impact has not been determined.

4. FINANCIAL RISK MANAGEMENT

Overview

The Company and Consolidated Entity have exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's and the Consolidated Entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Board of directors has overall responsibility for the establishment and oversight of the risk management and monitors operational and financial risk management throughout the Consolidated Entity. Monitoring risk management includes ensuring appropriate policies and procedures are published and adhered to. The Management reports to the Audit Committee.

The Board aims to manage the impact of short-term fluctuations on the Company's and the Consolidated Entity's earnings. Over the longer term, permanent changes in market rates will have an impact on earnings.

The Company and the Consolidated Entity are exposed to risks from movements in exchange rates and interest rates that affect revenues, expenses, assets, liabilities and forecast transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities.

Exposure to credit, foreign exchange and interest rate risks arises in the normal course of the Company's and the Consolidated Entity's business. Derivative financial instruments are not used to hedge exposure to fluctuations in foreign exchange rates.

The Audit Committee oversees adequacy of the company’s risk management framework in relation to the risks faced by the Company and the Consolidated Entity.

Credit Risk

Credit risk is the risk of financial loss to the Company or the Consolidated Entity if a customer, controlled entity or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's and the Consolidated Entity's receivables from customers.

Trade and other receivables

The Company's and Consolidated Entity's exposure to credit risk is influenced mainly by the geographical location and characteristics of individual customers. The Consolidated Entity does not have a significant concentration of credit risk with a single customer.

Policies and procedures of credit management and administration of receivables are established and executed at a regional level. Individual regions deliver reports to management and the Board on debtor ageing and collection activities on a monthly basis.

In monitoring customer credit risk, the ageing profile of total receivables balances is reviewed by management by geographic region on a monthly basis. Regional management is responsible for identifying high risk customers and placing restrictions on future trading, including suspending future shipments and administering dispatches on a prepayment basis.

The Company and the Consolidated Entity have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables.

Liquidity Risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity monitors cash flow requirements and produces cash flow projections for the short and long term with a view to optimising return on investments. Typically, the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational net cash flows for a period of at least 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's and the Consolidated Entity's net loss or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

The Consolidated Entity is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the controlled entities, primarily Australian dollars (AUD), but also United States dollars (USD), Euros (EUR), Swiss francs (CHF), Singapore dollar (SGD) and Philippines Pesos (PHP). The currencies in which these transactions primarily are denominated are AUD, USD, EUR, CHF, SGD and PHP.

Over 85%(2010:80%) of the Consolidated Entity's revenues and over 95%(2010:70%) of costs are denominated in currencies other than AUD. Risk resulting from the translation of assets and liabilities of foreign operations into the Consolidated Entity's reporting currency is not hedged.

Interest Rate Risk

The Consolidated Entity is exposed to interest rate risks in Australia. See note 30 for effective interest rates.

Capital Management

The Consolidated Entity's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns to shareholders, to provide benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board aims to maintain and develop a capital base appropriate to the Consolidated Entity. In order to maintain or adjust the capital structure, the Consolidated Entity can issue new shares. The Board of directors undertakes periodic reviews of the Consolidated Entity's capital management position to assess whether the capital management structure is appropriate to meet the Consolidated Entity's medium and long-term strategic requirements. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements. There were no significant changes in the approach to capital management during the year.

	2011	2010
5. REVENUE	$	$
Operating activities		
Other revenue and grants	177,097	188,437
Interest received - other persons	93,670	89,389
Revenue from sale of goods, net of discounts	12,335,730	10,714,174
	12,606,497	10,992,000

6. PROFIT FOR THE YEAR

Profit for the year is after charging:		
Operating lease rentals	373,434	308,394
Employee benefits expense	4,257,962	3,342,613
Depreciation	168,860	104,436
Amortisation of intellectual property	51,960	51,960
Research and development expenditure	343,577	304,159

7. INCOME TAX (EXPENSE)/BENEFIT

a. The components of tax (expense)/benefit comprise:

Current tax	(123,173)	(150,297)
Deferred tax	194,790	821,992
	71,617	671,695

b. The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

Prima facie income tax (expense)/benefit calculated at 30% of profit/(loss) using the company's domestic tax rate	(200,376)	(34,334)
Increase/(decrease) in income tax expense due to non-deductible/(assessable) items	13,442	10,353
Deferred tax asset due to tax losses and temporary differences	258,551	695,676
Income tax (expense)/benefit	71,617	671,695

c. Deferred tax assets not brought to account

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 3(m) occur

Tax losses	3,153,905	3,482,754
Temporary differences	1,391,103	980,913
	4,545,008	4,463,667

7. INCOME TAXES (Continued)	Note	**2011 $**	**2010 $**
d. Deferred tax assets			
Recognised deferred tax assets			
Property, plant and equipment		(34,931)	9,919
Accruals		45,349	29,707
Provisions		14,167	16,028
Tax loss carry-forwards		826,206	801,047
Deferred tax assets		850,791	856,701
Movement in temporary differences during the year			
Carrying amount at beginning of financial year		856,701	-
Recognised in the income statement	7a	194,790	821,992
Foreign exchange adjustment		(200,700)	34,709
Carrying amount at end of financial year		850,791	856,701

8. CASH AND CASH EQUIVALENTS

Cash at bank and on deposit and money market securities	3,948,718	4,293,676
	3,948,718	4,293,676

9. TRADE AND OTHER RECEIVABLES (Current)

Trade Debtors	1,946,233	1,371,489
Less provision for doubtful debts	(63,709)	(75,534)
	1,882,524	1,295,955
Other debtors	319,134	233,204
Forward exchange contracts	-	54,174
Loan to associated company	-	186
	2,201,657	1,583,519

All amounts are not interest bearing and are normally settled within 60 days.

10. INVENTORY

Inventory	177,350	197,220

11. INVESTMENT IN ASSOCIATED COMPANY

Interests are held in the following associated company

Name	Principal Activities	Country of Incorporation	Ownership Interest		Carrying amount of Investment (note11(a))	
			2011	2010	2011	2010
			%	%	$	$
SMH Biomaterial AG	Material manufacturer	Switzerland	50	50	84,704	29,098

			2011	2010
			$	$
a.	**Movements During the Year in Equity Accounted Investment in Associated Company**			
	Balance at beginning of the financial year		29,098	-
	Share of associated company's profit after income tax	11b	55,606	29,098
	Balance at end of the financial year		84,704	29,098
b.	**Equity accounted profit of associate is broken down as follows:**			
	Share of associate's profit before income tax expense		60,426	53,453
	Share of associate's profit not recognised		-	(24,318)
	Share of associate's income tax expense		(4,820)	(37)
	Share of associate's profit after income tax		55,606	29,098
c.	**Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associated Company**			
	Current assets		313,930	195,600
	Non-current assets		2	2
	Total assets		313,932	195,602
	Current liabilities		30,812	22,615
	Non-current liabilities		18,279	19,976
	Total liabilities		49,091	42,591
	Net assets		264,841	153,011
	Revenues		288,240	266,537
	Profit after income tax of associated company		111,212	106,863

12. PROPERTY, PLANT AND EQUIPMENT

	2011 $	2010 $
Property, plant and equipment -at cost	2,463,437	1,794,210
Accumulated depreciation	(1,322,981)	(1,152,286)
	1,140,456	641,924
Movements in the carrying amounts of plant and equipment during the current financial year:		
Balance at the beginning of the year	641,924	235,490
Additions	715,273	526,815
Depreciation expense	(168,860)	(104,436)
Effect of movements in foreign exchange	(47,881)	(15,945)
Carrying amount at the end of the year	1,140,456	641,924

Included in property, plant and equipment additions for the current year are capitalised lease incentives of $301,950. Lease incentives are recognised as an asset and a liability in the financial statements and amortised over the term of the lease.

13. INTANGIBLE ASSETS

Patents and trademarks – at cost	519,620	519,620
Accumulated amortisation	(339,906)	(287,946)
	179,714	231,674
Product development expenditure capitalised	148,490	-
	328,204	231,674

14. TRADE AND OTHER PAYABLES

CURRENT		
Trade creditors, other payables and accruals	1,656,884	1,696,777
Income received in advance	544,938	175,848
	2,201,822	1,872,625

All amounts are not interest bearing and are normally settled on 45 day terms

NON CURRENT

Other creditors	5,843	1,715

	2011 $	2010 $
15. PROVISIONS		
Warranty	100,523	78,035
Lease make good	67,212	67,212
Employee entitlements	139,758	163,587
	307,493	308,834
16. ISSUED CAPITAL		
Issued and fully paid ordinary shares		
40,467,756 (2010-39,432,756) ordinary shares	24,040,829	23,706,829
Balance at the beginning of year	23,706,829	23,270,829
Shares issued during period:		
- 625,000 pursuant to exercise of options at 20 cents on 13 September 2010	125,000	-
- 260,000 pursuant to exercise of options at 40 cents on 3 September 2010	104,000	-
- 125,000 pursuant to exercise of options at 72 cents on 29 June 2011	90,000	-
- 25,000 pursuant to exercise of options at 60 cents on 22 June 2011	15,000	-
- 400,000 pursuant to exercise of options at 40 cents on 24 June 2010	-	160,000
- 50,000 pursuant to exercise of options at 72 cents on 22 April 2010	-	36,000
- 300,000 pursuant to exercise of options at 40 cents on 22 April 2010	-	120,000
- 300,000 pursuant to exercise of options at 40 cents on 27 May 2010	-	120,000
Balance at end of year	24,040,829	23,706,829

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

At 30 June 2011 there were 1,542,500 (2010: 2,257,500) unissued ordinary shares for which options were outstanding.

Subsequent to 30 June 2011 a further 260,000 options were issued to executives and staff.

	2011 $	2010 $
17. RESERVES		
Share option reserve	1,497,396	1,374,796
Foreign currency translation reserve	(670,221)	(40,528)
	827,175	1,334,268

The share option reserve records items recognised as expenses on valuation of share option issues as remuneration.

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

18. REMUNERATION OF AUDITORS

	2011 $	2010 $
Remuneration of the Company's auditors for:		
Auditing or reviewing the financial report	41,345	38,000
Other services	-	16,720
Remuneration of other auditors for auditing or reviewing the financial reports of subsidiaries	63,710	53,754
Total auditors' remuneration included in operating result	105,056	108,474

19. SEGMENT OPERATIONS

Primary Reporting – Business Segments

The Consolidated Entity produces and sells devices for the oral treatment of sleep related disorders, which is the only business segment.

Secondary Reporting – Geographical Segments

Geographic location:	**Asia Pacific**	**USA**	**Europe**	**Eliminations**	**Total**
2011	**$**	**$**	**$**	**$**	**$**
External sales revenue	**1,935,640**	**7,924,227**	**2,475,864**	**-**	**12,335,730**
Segment net profit before tax	**267,343**	**2,228,831**	**325,925**	**-**	**2,822,099**
Unallocated expense items					**(2,247,849)**
Interest received					**93,670**
Profit before tax					**667,920**
Income tax benefit					**71,617**
Profit after tax					**739,537**

Geographic location:	**Asia Pacific**	**USA**	**Europe**	**Eliminations**	**Total**
2010	**$**	**$**	**$**	**$**	**$**
External sales revenue	**1,874,107**	**7,475,417**	**1,364,650**	**-**	**10,714,174**
Segment net profit before tax	**183,687**	**1,960,241**	**(134,863)**	**-**	**2,009,065**
Unallocated items					**(1,984,006)**
Interest Received					**89,389**
Profit before tax					**114,448**
Income tax benefit					**671,695**
Profit after tax					**786,143**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

20. PARTICULARS RELATING TO CONTROLLED AND ASSOCIATED ENTITIES

(a) Details of controlled entities are reflected below

	Country of Incorporation	Interest % 2011	Interest % 2010
Company			
SomnoMed Limited	Australia		
Entities controlled by SomnoMed Limited			
SomCentre Pty Limited	Australia	100%	100%
SomnoMed Inc.	USA	100%	100%
SomnoDent Pty Limited	Australia	100%	100%
SomnoMed Pte Ltd	Singapore	100%	100%
SomnoMed AG	Switzerland	100%	100%
SomnoMed Corporation Japan	Japan	100%	100%
SomnoMed Nordic AB	Sweden	100%	100%
SomnoMed Philippines Inc.	Philippines	100%	100%

(b) Details of associated entity

Associated entity of SomnoMed Limited			
SMH Biomaterial AG	Switzerland	50%	50%

21. RECONCILIATION OF CASH	2011 $	2010 $
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:		
Cash at bank and on deposit and money market securities	3,948,718	4,293,676
	3,948,718	4,293,676

22. RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2011 $	2010 $
Operating Profit after income tax	739,537	786,144
Share and Option expense	122,600	87,877
Share of associate company profit	(55,606)	(29,098)
Net exchange differences	2,867	76,509
Depreciation and amortization	220,819	156,396
Change in operating assets and liabilities		
(Increase)/Decrease in inventories	(16,067)	(113,463)
(Increase)/Decrease in receivables	(951,956)	(157,330)
Increase/(Decrease) in other payables	308,940	418,481
Increase/(Decrease) in provisions	(3,532)	59,938
Increase/(Decrease) in deferred tax assets	(194,390)	(823,991)
Net Cash inflow/(outflow) from operating activities	172,682	461,463

23. EARNINGS PER SHARE

The following reflects the profit and share data used in the calculations of basic and diluted earnings per share.

	2011	2010
Net profit used in calculating basic and diluted earnings per share	$739,537	$786,143
Basic and diluted profit per share (cents per share)	1.8	2.0
Weighted average number of shares used in the calculation of diluted earnings per share	40,609,847	38,980,020
Weighted average number of shares used in the calculation of basic earnings per share	40,144,057	38,483,411
Shares on issue at year end	40,467,756	39,432,756
Number of options on issue at year end – each option is exercisable at between 58 cents and $1.03 per share and converts to one ordinary share	1,542,500	2,257,500

Adjustment has been made to the weighted average number of shares used in calculating diluted earnings per share for the options on issue that have an exercise price below the average market price for the year.

24. CAPITAL AND LEASING COMMITMENTS	2011 $	2010 $
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable		
— not later than 1 year	411,687	378,386
— later than 1 year but not later than 5 years	817,435	378,310
— later than 5 years	15,973	-
	1,245,095	756,696

Included in the operating lease commitments are non-cancellable property leases with terms of between two years and five years. All leases have rent payable monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payments shall be increased by between 2.7% and 4% per annum. No option exists to renew the leases at the end of the terms, except for the lease in Frisco, Dallas, which allows an option to extend the lease term by a further 5 years.

The leases allows for subletting of all lease areas.

25. SHARE BASED PAYMENTS

(a) Movement in the number of share options held by employees are:	2011	2010
Opening balance	1,307,500	745,000
Granted during the year	495,000	577,500
Exercised during the year	(285,000)	-
Lapsed during the year	(175,000)	(15,000)
Closing Balance	1,342,500	1,307,500

25. SHARE BASED PAYMENTS (Continued)

(b) Details of employee share options outstanding as at end of year:

Grant Date	Expiry and Exercise Date	Exercise Price	2011	2010
3 September 2007	30 September 2009 30 September 2010	$0.40	-	260,000
1 May 2008	30 June 2009 30 June 2011	$0.60	-	100,000
3 September 2008	30 September 2010 30 September 2011	$0.72	260,000	260,000
15 October 2008	31 October 2010 31 October 2011	$0.80	125,000	125,000
1 July 2009	1 July 2011 30 June 2012	$0.56	-	75,000
3 September 2009	30 September 2011 30 September 2012	$0.58	340,000	355,000
15 October 2009	31 October 2011 31 October 2012	$0.58	132,500	132,500
3 September 2010	30 September 2012 30 September 2013	$0.99	260,000	-
3 September 2010	30 September 2012 30 September 2013	$0.99	100,000	-
1 October 2010	31 October 2012 31 October 2013	$1.03	125,000	-
			1,342,500	1,307,500

Options granted to employees hold no voting or dividend rights and are not transferable.

(c) Options

The options outstanding at 30 June 2011 had a weighted average exercise price of $0.772 (2010: $0.593) and a weighted average remaining contractual life of 1.2 years (2010: 1.2 years). Exercise prices range from $0.58 to $1.03 in respect of options outstanding at 30 June 2011 (2010: $0.40 to $0.80 range).

The weighted average fair value of the options granted during the year was $0.2477 (2010: $0.1522).

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

	2011	2010
Weighted average exercise price	$1.00	$0.5774
Weighted average life of the option	3.06 years	3.05 years
Underlying share price between	$0.88 - $1.01	$0.56 - $0.58
Expected share price volatility	36.291	47.227
Risk free interest rate	5.0%	4.0%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate.

Exercisability of the options has been considered when determining the fair value of the options.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under share and option expense in the income statement is $122,600 (2010: $87,877), that relates, in full, to equity-settled share-based payment transactions.

25. SHARE BASED PAYMENTS (continued)

(d) Shareholdings

Number of Shares held by Key Management Personnel, including shares held by associated entities

	Balance 1.7.10	Net Change /Other	Balance 30.6.11
Peter Neustadt	2,946,023	550,000	3,496,023
Graham Hurst	791,000	-	791,000
Paul Hopper	100,000	-	100,000
Ralf Barschow	-	-	-
Chris Bedford	-	25,000	25,000
John Truitt	8,960	(8,960)*	-
Neil Verdal-Austin	140,000	-	140,000
Total	3,985,983	566,040	4,552,023

* resigned July 2010

(e) Share based payments

There were no other share-based payment arrangements in the year to 30 June 2011, other than options issued to directors and executives.

(f) Options and Rights Holdings

Number of options held by Key Management Personnel, including options held by associated entities

	Balance 1.7.10	Granted as Remuneration/ (Exercised or Lapsed/Expired)	Balance 30.6.11	Total Vested 30.6.11	Total Exercisable	Total Un-exercisable
Paul Hopper	50,000	-	50,000	50,000	50,000	-
Ralf Barschow	780,000	-	780,000	780,000	260,000	520,000
Graham Hurst	50,000	-	50,000	50,000	50,000	-
John Truitt	150,000	(150,000)	-	-	-	-
Christopher Bedford	75,000	25,000	100,000	100,000	-	100,000
Peter Neustadt	750,000	(750,000)	-	-	-	-
Neil Verdal-Austin	250,000	125,000	375,000	375,000	125,000	250,000
Total	2,105,000	(750,000)	1,355,000	1,355,000	485,000	870,000

26. EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year, the directors are not aware of any matter that has significantly affected or may significantly affect the operations of the Company in subsequent financial years.

27. CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2011 no contingent liabilities or capital commitments existed.

28: RELATED PARTY DISCLOSURES

Related party transactions fall into the following categories:

(a) Controlled entities

Interests in controlled entities are disclosed in Note 20. The Company engages in transactions with its controlled entities, which are in ordinary course of business at arm's length on a transfer pricing basis.

	2011	2010
	$	$
The aggregate amount included in the profit before income tax for the Company that resulted from transactions with non-director related parties are:		
License fees	1,958,514	2,183,999
Revenue from provision of services	642,490	628,220
Interest income	54,804	24,875
The aggregate amounts receivable from wholly-owned controlled entities by the Company at the reporting date are:		
Current receivables	6,490,318	5,517,339
Less impairment	(2,247,831)	(1,903,589)
	4,242,487	3,613,750

(b) Director related entities

During the year consultancy fees of $116,332 (2010: $108,896) were paid to Belgove Pty Limited, a company associated with Dr Neustadt.

(c) Transactions in securities of the Company

During the year directors or entities related to directors acquired under normal commercial terms shares or options in the company as detailed in Note 25. Directors acquired these shares through the public offering, direct issue or on-market purchase.

29. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and positions held of Consolidated Entity and Company Key Management Personnel in office at any time during the financial year are:

Key Management Person	
Peter Neustadt	Chairman — Non-Executive
Graham Hurst	Director — Non-Executive
Paul Hopper	Director — Non-Executive
Ralf Barschow	Chief Executive Officer
Neil Verdal-Austin	Chief Financial Officer
John Truitt	Executive Vice President, North America (resigned July 2010)
Christopher Bedford	General Manager – Production and Technology

(b) Compensation Practices and Key Management Personnel Compensation

Details of compensation practices and key management personnel compensation are disclosed in the Directors' Report, which accompanies these financial statements.

Details of management personnel compensation shares and options are disclosed in Note 25.

30. FINANCIAL INSTRUMENTS

Credit Risk

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2011	2010
	$	$
Cash and equivalents	3,948,718	4,293,676
Trade receivables	1,882,524	1,295,955
Forward exchange contracts	-	54,174
Other receivables	319,134	233,390
	6,150,376	5,877,195

The maximum exposure to credit risk for trade and related party receivables at the reporting date by geographic region was:

	2011	2010
United States	1,193,486	916,116
Europe	510,243	176,532
Asia Pacific	178,795	203,307
	1,882,524	1,295,955

Impairment Losses

The ageing of the trade receivables at the reporting date was:

Gross receivables

	2011	2010
Past due 0 – 30	1,180,698	1,087,031
Past due 31 – 60	491,402	122,630
Past due 60 – 90	92,798	47,490
Past due 90 days and over	181,336	114,338
	1,946,233	1,371,489
Impairment	(63,709)	(75,534)
Trade receivables net of impairment loss	1,882,524	1,295,955

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2011	2010
Balance at 1 July	(75,534)	(71,264)
Impairment movement	4,013	(4,270)
Exchange effect	7,812	-
Balance at 30 June	(63,709)	(75,534)

30. FINANCIAL INSTRUMENTS (continued)

Impairment losses recognised in the year relate to significant individual customers, which have been assessed as impaired under the Consolidated Entity's accounting policy as detailed in Note 3(h).

Based upon past experience, the Consolidated Entity believes that no impairment allowance other than as provided in these accounts is necessary in respect of trade receivables not past due.

The allowance accounts used in respect of trade receivables are used to record impairment losses unless the Consolidated Entity is satisfied that non recovery of the amount owing is possible; at that point, the amount considered non-recoverable is written off against the financial asset directly.

Currency Risk

Consolidated Entity's exposure to foreign currency risk was as follows, based upon notional amounts:

Amounts local currency	**SGD**	**PHP**	**JPY**	**USD**	**EUR**
2011					
Cash and cash equivalents	2,876	141,129	10,040	1,503,980	445,896
Trade receivables	-	-	7,546	1,193,486	510,243
Trade payables	-	(12,513)	-	(493,157)	(156,752)
Gross balance sheet exposure	**2,876**	**128,616**	**17,586**	**2,204,309**	**799,387**

Amounts local currency	**SGD**	**PHP**	**JPY**	**USD**	**EUR**
2010					
Cash and cash equivalents	2,960	45,882	10,459	1,034,332	609,965
Trade receivables	-	-	7,704	950,172	205,787
Trade payables	(3,743)	(46,430)	(9,857)	(965,627)	(167,606)
Gross balance sheet exposure	**(783)**	**(548)**	**8,306**	**1,018,877**	**648,146**

SomnoMed enters into forward exchange contracts to hedge its exposure to the USD. The amounts of forward cover taken are in accordance with approved policy and internal forecasts.

The following table sets out the gross value to be received (sell) or paid (buy) under forward exchange contracts and the weighted average contracted exchange rates of outstanding contracts:

	Foreign exchange rates		**Gross Value**	
	2011	**2010**	**2011**	**2010**
Sell USD				
Not later than one year	-	-	-	886,815
Weighted average exchange rates contracted	-	0.7893	-	-

The following significant exchange rates applied to the Consolidated Entity during the year:

	Average Rate		**Reporting date spot rate**	
AUD = 1	**2011**	**2010**	**2011**	**2010**
USD	0.9889	0.8762	1.0731	0.8407
EUR	0.7246	0.6377	0.7417	0.6872
JPY	81.68	80.001	86.48	74.365
PHP	43.502	41.051	46.51	39.140

30. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

Profile

At the reporting date, the interest rate profile of the Consolidated Entity's interest bearing financial instruments was:

Carrying amount	**2011**	**2010**
	$	**$**
Variable rate instruments		
Financial assets	1,295,885	1,961,842

Liquidity Risk

The following are the contractual maturities of the Consolidated Entity's financial assets and liabilities including estimated interest payments.

2011	Effective interest rate p.a.	Carrying amount $	Less than 1 year	1-5 years	More than 5 years
Cash and cash equivalents	2.63%	3,948,718	3,948,718	-	-
Receivables	-	2,201,657	2,201,657	-	-
Payables	-	(2,207,305)	(2,201,822)	(5,483)	-
Total	-	3,943,070	3,948,553	(5,483)	-

2010	Effective interest rate p.a.	Carrying amount $	Less than 1 year	1-5 years	More than 5 years
Cash and cash equivalents	2.15%	4,293,676	4,293,676	-	-
Receivables	-	1,583,519	1,583,519	-	-
Payables	-	(1,874,340)	(1,872,625)	(1,715)	-
Total	-	4,002,855	4,004,570	(1,715)	-

30. FINANCIAL INSTRUMENTS (continued)

Sensitivity Analysis

In managing interest rate and currency risks, the Consolidated Entity aims to reduce the impact of short-term fluctuations on the Consolidated Entity's earnings. Over the longer term however, permanent changes in foreign exchange and interest rates will have an impact on the result.

For the year ended 30 June 2011, it is estimated that a general increase of one percent in interest rates would have increased the Consolidated Entity's profit after income tax and equity by approximately $42,000 and for the year ended 30 June 2010 the effect would have been to increase the Consolidated Entity's profit after income tax and equity by approximately $42,000. A one percent decrease in interest rates would have had the equal but opposite effect on the Consolidated Entity's profit and equity.

It is estimated that a general increase of ten percent in the value of the AUD against other foreign currencies would have decreased the Consolidated Entity's profit for the year ended 30 June 2011, and decrease the Consolidated Entity's equity by approximately $225,000. For the year ended 30 June 2010 the effect would have been to increase the Consolidated Entity's profit and increase the equity by $165,000.

It is estimated that a general decrease of ten percent in the value of the AUD against other foreign currencies would have increased the Consolidated Entity's profit for the year ended 30 June 2011, and increase the Consolidated Entity's equity by approximately $276,000. For the year ended 30 June 2010 the effect would have been to decrease the Consolidated Entity's profit and decrease the equity by $81,000.

Fair Values

The fair values of financial assets and liabilities, together with carrying amounts shown in the balance sheet are as follows:

	2011		2010	
	$		$	
Consolidated	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and equivalents	3,948,718	3,948,718	4,293,676	4,293,676
Trade and other receivables – current	2,201,657	2,201,657	1,583,519	1,583,519
Trade and other payables	(2,207,305)	(2,207,305)	(1,874,340)	(1,874,340)
Total	3,943,070	3,943,070	4,002,855	4,002,855

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Non-derivative financial assets and liabilities

The fair value of cash, receivables, payables and short-term borrowings is considered to approximate their carrying amount because of their short maturity.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobvious inputs).

30. FINANCIAL INSTRUMENTS (continued)

	Level 2	Total
30 June 2011		
Derivative financial assets		
Forward exchange contracts	-	-
30 June 2010		
Derivative financial assets		
Forward exchange contracts	54,175	54,175

31. PARENT ENTITY DISCLOSURES

At and throughout the financial year ended 30 June 2011, the parent company was SomnoMed Limited.

	Company	
Result of the parent entity	**30 June 2011**	**30 June 2010**
	$	**$**
Net profit/(loss)	(459,144)	3,074
Other comprehensive income/(loss)	-	-
Total comprehensive income	**(459,144)**	**3,074**
Financial position of the parent entity at year end		
Current assets	6,821,059	6,958,925
Total assets	7,662,516	7,698,928
Current liabilities	701,307	735,176
Total liabilities	701,307	735,176
Total equity of the parent entity comprising of:		
Issued capital	24,040,829	23,706,829
Share option reserve	1,497,396	1,374,796
Accumulated losses	(18,577,016)	(18,117,872)
Total Equity	**6,961,209**	**6,963,752**

Parent entity contingencies

There are no contingent liabilities and future commitments in respect to the Parent Entity.

SOMNOMED LIMITED
ACN 003255221
DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 19 to 47 are in accordance with the Corporations Act 2001*:*
   a. comply with Accounting Standards and the Corporations Regulations 2001*;* and
   b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and Consolidated Entity;
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
   a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   b. The financial statements and notes for the financial year comply with the Accounting Standards; and
   c. The financial statements and notes for the financial year give a true and fair view.
3. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Peter Neustadt
Chairman

Dated 22 September 2011

STIRLING INTERNATIONAL
CHARTERED ACCOUNTANTS

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SOMNOMED LIMITED

Report on the Financial Report

We have audited the accompanying financial report of SomnoMed Limited (the company) and the consolidated entity, which comprises the consolidated balance sheet as at 30 June 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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.

Directors' Responsibility for the Financial 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 control 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. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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.

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 judgment, 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.

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 SomnoMed Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SOMNOMED LIMITED

Auditor's Opinion

In our opinion:

a. the financial report of SomnoMed Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the report of the directors for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with the Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of SomnoMed Limited for the year ended 30 June 2011, complies with s 300A of the Corporations Act 2001.

Stirling International

Chartered Accountants

Peter Turner

St James Centre 111 Elizabeth St Sydney 2000

22 September 2011

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF SOMNOMED LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Stirling International

Chartered Accountants

Peter Turner

St James Centre 111 Elizabeth St Sydney 2000

22 September 2011

ADDITIONAL INFORMATION

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of Holding)	**Number**
1-1,000	364
1,001-5,000	233
5,001-10,000	123
10,001-100,000	212
100,001 and over	53
	985

b. The number of shareholdings held in less than marketable parcels is 257

c. The names of the substantial shareholders listed in the holding company's register as at 15 September 2011 are:

Shareholder	**Number of Ordinary Shares**	**Percentage**
Dottie Investments Pty Ltd	3,732,779	9.120%
Belgove Pty Limited	3,496,023	8.541%
Golden Words Pty Ltd	3,411,911	8.336%

d. **Voting Rights**

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. **20 Largest Shareholders — Ordinary Shares as at 15 September 2011**

	Name	No. of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Dottie Investments Pty Ltd	3,732,779	9.120%
2.	Belgove Pty Limited	3,371,023	8.237%
3.	Golden Words Pty Ltd	2,449,169	5.984%
4.	UBS Wealth Management Australia Nominees Pty Ltd	2,250,576	5.499%
5.	National Nominees Limited	1,948,460	4.761%
6.	J P Morgan Nominees Australia Limited	1,383,174	3.380%
7.	Carnethy Evergreen Pty Ltd <Carnethy Evergreen Fund A/C>	1,300,000	3.176%
8.	Ginga Pty Ltd	1,277,370	3.121%
9.	R E M Medical Pty Ltd <Cocoon Super Fund Account>	1,216,656	2.973%
10.	Ms Georgia Quick & Mr Rodney Victor Palmisano <Est Late R G Palmisano A/C>	1,106,000	2.702%
11.	M F Custodians Ltd	954,474	2.332%
12.	Timbina Pty Ltd <Timbina Super Fund A/C>	861,737	2.106%
13.	Cogent Nominees Pty Limited	850,000	2.077%
14.	Pavona Pty Ltd	737,656	1.802%
15.	Atroop Pty Ltd <Roma Super Fund A/C>	650,000	1.588%
16.	Mr Trevor Kennedy & Mrs Christina Kennedy & Mr Daniel Kennedy <Golden Eggs Super Fund A/C>	602,513	1.472%
17.	Mr Graham Perrin Hurst & Mrs Susan Margaret Hurst <Roslyn No3 Super Fund A/C>	477,000	1.165%
18.	Citicorp Nominees Pty Limited	464,111	1.134%
19.	Mr Mladen Marusic	433,994	1.060%
20.	Tunend Pty Ltd	382,000	0.933%
		26,448,692	**64.623%**

CORPORATE DIRECTORY

Registered Office
Level 3
20 Clarke St Crows Nest 2065
Telephone: (02) 9467 0400

Directors

Peter Neustadt	Non-executive Chairman
Paul Hopper	Non-executive Director
Graham Hurst	Non-executive Director

Chief Executive Officer
Ralf Barschow

Chief Financial Officer
Neil Verdal-Austin

Company Secretary
Terence Flitcroft

Patent Attorneys
Spruson & Ferguson

Banker
Westpac Banking Corporation

Auditors
Stirling International

Share Registry
Boardroom Pty Limited
SYDNEY NSW 2000

(GPO Box 3993 Sydney NSW 2001)

Telephone (02) 9290 9600

Facsimile (02) 9279 0664

wwwboardroomlimited.com.au

Company Website
www.somnomed.com.au

HEAD OFFICE

SomnoMed Limited
Level 3, 20 Clarke Street
Crows Nest NSW 2065
Australia

Phone: 1800 445 660
Fax: +61 2 9467 0467

EUROPE

SomnoMed Europe AG
Kreuzstrasse 54
CH-8032 Zürich
Switzerland

SomnoMed Nordic AB
Karlaväge 100,
115 26 Stockholm
Sweden

ASIA

SomnoMed Japan Corporation
La-ju Oimachi,6F
Oi 4-13-17, Shinagawa-ku
Tokyo, 140-0014
Japan

SomnoMed Singapore Pte Ltd
8 Temasek Boulevard,
#35-03 Suntec Tower 3,
Singapore 038988

NORTH AMERICA

SomnoMed Inc.
7460 Warren Parkway
Suite 190
Frisco, TX 75034
U.S.A.