

COMPUMEDICS LIMITED

(ACN 006 854 897)

ASX Preliminary final report – 30 June 2003

Lodged with the ASX under Listing Rule 4.3A

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Compumedics Limited
Year ended 30 June 2003
(Previous corresponding period:
Year ended 30 June 2002)

Results for Announcement to the Market

				\$'000
Revenue from ordinary activities <i>(Appendix 4E item 2.1)</i>	up/ down	62%	to	32,056
Earnings before interest, tax, depreciation and amortisation	up/ down	N/A	to	2,093
Profit/(loss) from ordinary activities after tax attributable to members <i>(Appendix 4E item 2.2)</i>	up/down	877%	to	(18,557)
Net profit/(loss) for the period attributable to members <i>(Appendix 4E item 2.3)</i>	up/down	877%	to	(18,557)

Dividends/distributions <i>(Appendix 4E item 2.4)</i>	Amount per security	Franked amount per security
Final dividend	N/A	N/A
Interim dividend	N/A	N/A

Record date for determining entitlements to the dividend
(Appendix 4E item 2.5)

Not applicable

Explanation of Revenue *(Appendix 4E item 2.6)*

Total revenue for the year increased 62%. This resulted from strong growth in the core sleep diagnostic business up 30% on the previous year and an increase in the sales base as a result of a full year of the Neuroscan acquisition.

Explanation of Earnings before interest, tax, depreciation and amortisation
(Appendix 4E item 2.6)

EBITDA for the year was \$3.0m higher at \$2.1m compared to a \$0.9m loss in the previous period, reflecting the growth in the business.

Explanation of Profit/(loss) from ordinary activities after tax *(Appendix 4E item 2.6)*

Earnings after tax improved \$2.0m to a \$0.1m profit compared to a \$1.9m loss in the previous period before adjustments for certain expense items and an accounting policy review in relation to revenue recognition. With the rapid development of the business the company has decided to align its accounting treatment of intellectual property expense items and revenue recognition with the evolution of the business. After these reviews the result was an after tax loss of \$18.6m. The adjustments relate to a revision of the company's treatment of revenue, research and development costs and intellectual property acquired. In total, these adjustments have reduced revenues by \$0.9m and earnings after tax by \$18.7m.

Compumedics has evolved rapidly over the last two years from a single focus sleep diagnostic company to a multi product line business. In line with best practice for companies of this type, consideration of future directions of financial reporting requirements for the business in conjunction with the business' own evolution and to provide a clearer basis for investors to track the underlying performance of the company, the directors have adjusted the values of certain asset and income items.

A more detailed explanation of these adjustments accompanies this announcement.

Explanation of Dividends *(Appendix 4E item 2.6)*

In line with the Company's previously stated policy a dividend will not be payable in the current financial year. It is not anticipated that dividends will be payable in the foreseeable future.

Compumedics Limited
Preliminary consolidated statement of financial performance
For the year ended 30 June 2003

	2003	2002
	\$'000	\$'000
Revenue from sale of goods and services	32,056	19,747
Cost of sales	(14,170)	(7,967)
Gross profit	17,886	11,780
Other revenues from operating activities	382	464
Administration	(4,230)	(3,974)
Sales & Marketing	(6,267)	(4,907)
Research & Development	(6,708)	(2,854)
Service	(1,966)	(2,159)
Logistics	(648)	(393)
Borrowing costs	(187)	(102)
Accelerated Amortisation Charge	(17,858)	-
Net foreign exchange gain/(loss)	631	(350)
Loss from ordinary activities before income tax (expense) / benefit	(18,965)	(2,495)
Income tax benefit	408	598
Loss from ordinary activities after income tax benefit	(18,557)	(1,897)
Net loss attributable to members of Compumedics Limited	(18,557)	(1,897)
Net exchange differences on translation of financial report of foreign controlled entity	-	(6)
Total changes in equity other than those resulting from transactions with owners as owners	(18,557)	(1,903)
Earnings per share (cents):		
Basic	(13.3)	(1.4)
Diluted	(13.3)	(1.4)
Earnings per share based on earnings before interest, tax, depreciation and amortisation.	1.5	(0.6)

Compumedics Limited
Preliminary consolidated statement of financial position
As at 30 June 2003

	2003	2002
	\$'000	\$'000
CURRENT ASSETS		
Cash assets	5,366	8,533
Receivables	8,624	7,982
Inventories	8,416	8,520
Other	180	187
TOTAL CURRENT ASSETS	22,586	25,222
NON-CURRENT ASSETS		
Receivables	-	106
Property, plant and equipment	1,176	958
Intangible assets	-	17,337
NON-CURRENT ASSETS	1,176	18,401
TOTAL ASSETS	23,762	43,623
CURRENT LIABILITIES		
Payables	4,579	3,470
Interest bearing liabilities	4,729	5,199
Current tax liabilities	52	230
Provisions	845	577
Other	1,217	328
TOTAL CURRENT LIABILITIES	11,422	9,804
NON CURRENT LIABILITIES		
Interest bearing liabilities	508	3,212
Deferred tax liabilities	-	253
Provisions	157	129
TOTAL NON-CURRENT LIABILITIES	665	3,594
TOTAL LIABILITIES	12,087	13,398
NET ASSETS	11,675	30,226
EQUITY		
Contributed equity	29,147	29,147
Reserve	-	(6)
Retained profits	(17,472)	1,085
TOTAL EQUITY	11,675	30,226

Compumedics Limited
Preliminary consolidated statement of cash flows
For the year ended 30 June 2003

	2003	2002
	\$'000	\$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of goods and services tax)	31,782	20,507
Payments to supplies and employees (inclusive of goods and services tax)	(29,022)	(21,326)
	2,760	(819)
Interest and other times of a similar nature received	234	362
Other revenue	148	102
Interest and other costs of finance paid	(187)	(74)
Income taxes paid	-	(85)
Income tax refund	-	611
Net cash inflow (outflow) from operating activities	2,955	97
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of controlled entity, net of cash acquired	(734)	(2,476)
Payments for property, plant and equipment	(770)	(373)
Payments for goodwill acquired	(19)	(488)
Payments for intellectual property costs	(3,948)	(2,931)
Receipts of grants for intellectual property	59	896
Net cash inflow (outflow) from investing activities	(5,412)	(5,372)
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Proceeds from issues of shares and other equity securities	-	-
Proceeds from borrowings	-	2,653
Repayments of finance leases	(132)	(168)
Share issue costs	-	(33)
Repayment of borrowings	(578)	(90)
Net cash inflow (outflow) from financing activities	(710)	2,362
NET INCREASE (DECREASE) IN CASH HELD	(3,167)	(2,913)
Cash at the beginning of the year	8,533	11,446
CASH AT THE END OF THE FINANCIAL YEAR	5,366	8,533

Compumedics Limited
Notes to the preliminary consolidated financial statements
For the year ended 30 June 2003

Material factors affecting the revenues and expenses of the economic entity for the current period

In April 2002 Compumedics purchased the Neuroscan business the results for the year ended 30 June 2003 reflect the first full year with this business included.

Earnings after tax improved \$2.0m to a \$0.1m profit compared to a \$1.9m loss in the previous period before adjustments for certain expense items and an accounting policy review in relation to revenue recognition. With the rapid development of the business the company has decided to align its accounting treatment of intellectual property expense items and revenue recognition with the evolution of the business. After these reviews the result was an after tax loss of \$18.6m. The adjustments relate to a revision of the company's treatment of revenue, research and development costs and intellectual property acquired. In total, these adjustments have reduced revenues by \$0.9m and earnings after tax by \$18.7m.

Compumedics has evolved rapidly over the last two years from a single focus sleep diagnostic company to a multi product line business. In line with best practice for companies of this type, consideration of future directions of financial reporting requirements for the business in conjunction with the business' own evolution and to provide a clearer basis for investors to track the underlying performance of the company, the directors have adjusted the values of certain asset and income items.

A more detailed explanation of these adjustments accompanies this announcement.

Revenue growth over the twelve month period was 62%. Excluding the Neuroscan acquisition, revenue growth was 30%.

Material factors affecting the assets, liabilities and equity of the economic entity for the current period

The following items impacted the assets, liabilities and equity of the economic entity for the current period:

- (i) The carrying value of the company's intangible assets was reviewed by the Directors and as a result these assets were written off. A detailed explanation is attached to this announcement.
- (ii) The management of receivables improved significantly in the current financial period with debtors days declining from 131 at 30 June 2002 to 96 days at 30 June 2003.
- (iii) The decline in non current liabilities reflects the reclassification of borrowings related to the acquisition of the Neuroscan business to current liabilities. These liabilities amounting to USD2.9m presently fall due by April 2004. The business is currently negotiating the re-scheduling of this debt.

Compumedics Limited
Notes to the preliminary consolidated financial statements
For the year ended 30 June 2003

Material factors affecting the cash flows of the economic entity for the current period

Cash was impacted by the following items:

- (i) Improvement in debtors days from 131 days last year to 96 days.
- (ii) Repayments of borrowing to Marmon Group and the National Bank of \$0.7m and \$0.5m respectively.
- (iii) Increase in R&D costs particularly associated to patent filings around new technology currently being developed.

Changes in accounting policies

Refer to separate announcement with this release.

Fundamental errors

There were no fundamental errors noted in the accounts

Extraordinary items

There were no extra ordinary items noted in the accounts

Reconciliation of income tax expense

	2003	2002
	\$'000	\$'000
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The income tax expenses for the financial year differs from the amount calculated on the profit.		
The differences are reconciled as follows:		
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Profit from ordinary activities before income tax expense / (benefit)	(18,965)	(2,495)
Income tax calculated @ 30%	(5,690)	(749)
Tax effect of permanent differences		
25% Non-grant R&D loading / allowance	(248)	(58)
Other permanent differences	(111)	(2)
Non-deductible amortisation	-	215
Non deductible intellectual property write down	2,614	-
Timing differences not brought to account	865	-
Current tax losses not brought to account	1,646	-
Write off tax losses previously brought to account	671	-
	<hr/>	<hr/>
	(253)	(594)
Under (over) provision in previous year	(155)	(4)
Aggregate income tax expense/ (benefit)	(408)	(598)
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Compumedics Limited
Notes to the preliminary consolidated financial statements
For the year ended 30 June 2003

Reconciliation of profit from ordinary activities after income tax to net cash flow from operating activities

	2003 \$'000	2002 \$'000
Profit/Loss from ordinary activities	(18,557)	(1,898)
Depreciation & amortisation	20,914	1,964
Write off of leasehold improvements	-	71
Net unrealised exchange differences	(779)	405
Doubtful debts	(69)	394
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
Decrease (Increase) in trade debtors & bills of exchange	(269)	238
Decrease (Increase) in inventories	104	(898)
Decrease (Increase) in income tax receivables	-	533
Decrease (Increase) in other operating assets	(191)	167
(Decrease) Increase in trade creditors	2,309	(704)
(Decrease) Increase in other operating liabilities	(378)	276
(Decrease) Increase in provision for income taxes payable	(178)	182
(Decrease) Increase in provision for deferred income tax	(254)	(776)
(Decrease) Increase in other provisions	303	142
Net cash inflow / (outflow) from operating activities	2,955	97

Compumedics Limited
Notes to the preliminary consolidated financial statements
For the year ended 30 June 2003

Segment reporting – Primary
For the year ended 30 June 2003

	Sleep	Neuroscan	Neuroscience	NMS*	Unallocated/ Elimination	\$'000 Group
Sales to external customers	17,677	9,649	2,139	2,591		32,056
Intersegment sales						-
Total sales revenue	17,677	9,649	2,139	2,591		32,056
Other revenue	81	44	11	12		148
Total segment revenue	17,758	9,693	2,150	2,603	-	32,204
SEGMENT RESULT	(6,179)	(7,170)	(5,778)	624	(509)	(19,012)
Interest expense/ (income)						(47)
Tax expense/(credit)						(408)
PAT						(18,557)
Segment assets	10,259	3,560	858	2,363		17,040
Unallocated assets						6,722
Tax assets						-
Total assets						23,762
Segment liabilities	4,020	6,336	305	370		11,032
Unallocated liabilities						1,055
Tax liabilities						-
Total liabilities						12,087
Net assets						11,675
Acquisition of PPE	-	-	-	-	-	771
Acquisition of intangibles and other non-current segment Assets	2,763	1,126	-	-	-	3,889
Depreciation and amortisation	9,747	4,199	6,269	190	509	20,914
Other non-cash expenses	-	-	-	-	-	NIL

* NMS = Neuro Medical Supplies

Compumedics Limited
Notes to the preliminary consolidated financial statements
For the year ended 30 June 2003

Segment reporting – Secondary
For the year ended 30 June 2003

	USA	ROW	Unallocated/ Elimination	\$'000 Group
Sales to external customers	16,190	15,866		32,056
Intersegment sales	1,632	2,143	(3,775)	-
Total sales revenue	17,822	18,009	(3,775)	32,056
Other revenue	-	148	-	148
Total segment revenue	17,822	18,157	(3,775)	32,204
Segment Assets	8,262	21,979	(6,479)	23,762
Unallocated assets				-
Tax assets				-
Total assets				23,762
Acquisition of PPE	112	659	-	771
Acquisition of intangibles and other non-current segment assets	-	3,889	-	3,889

Compumedics Limited
Notes to the preliminary consolidated financial statements
For the year ended 30 June 2003

Segment reporting – Primary
Previous corresponding period, 30 June 2002

	Sleep	Neuroscan	Neuroscience	NMS	Unallocated/ Elimination	\$'000 Group
Sales to external customers	12,633	2,702	1,414	2,997		19,747
Intersegment sales						-
Total sales revenue	12,633	2,702	1,414	2,997	-	19,747
Other revenue	102	-	-	-		102
Total segment revenue	12,735	2,702	1,414	2,997	-	19,849
SEGMENT RESULT	(2,400)	476	(267)	(569)	(6)	(2,756)
Interest						(260)
Tax expense/(credit)						(597)
PAT						(1,897)
Segment assets	18,104	7,104	7,188	2,695		35,091
Unallocated assets						8,533
Tax assets						-
Total assets						43,624
Segment liabilities	3,921	8,108	439	930		13,398
Unallocated liabilities						
Tax liabilities						
Total liabilities						13,398
Net assets						30,226
Acquisition of PPE	366	264	-	-	-	630
Acquisition of intangibles and the non-current segment assets	2,175	4,754	-	-	-	6,929
Depreciation and amortisation expense	1,053	79	832	-	-	1,964
Other non-cash expenses	1,140	-	-	-	-	1,140

Compumedics Limited
Notes to the preliminary consolidated financial statements
For the year ended 30 June 2003

Segment reporting – Secondary
Previous corresponding period, 30 June 2002

	USA	ROW	Unallocated/ Elimination	\$'000 Group
Sales to external customers	9,156	10,591		19,747
Intersegment sales	133		(133)	-
Total sales revenue	9,289	10,591	(133)	19,747
Other revenue	-	102	-	102
Total segment revenue	9,289	10,692	(133)	19,849
Segment Assets	8,256	39,761	(4,393)	43,624
Unallocated assets				-
Tax assets				-
Total assets				43,624
Acquisition of PPE	279	351	-	630
Acquisition of intangibles and other non-current segment assets	6,928		-	6,928

Compumedics Limited
Notes to the preliminary consolidated financial statements
For the year ended 30 June 2003

Discontinuing operations

None to report in the period

Events occurring after reporting date

The Company is not aware at the date of release of this information of any event that has occurred since reporting date that would impact the financial performance of or position of Compumedics Limited as reported.

Compumedics Limited Supplementary Appendix 4E information

Additional dividend/distribution information ² (Appendix 4E item 6)

Details of dividends/distributions declared or paid during or subsequent to the year ended 30 June 2003 are as follows: **NOT APPLICABLE**

Record date	Payment date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
N/A	N/A	N/A	N/A	N/A	N/A	N/A

Dividend/distribution reinvestment plans (Appendix 4E item 7)

NOT APPLICABLE

Retained Earnings (Appendix 4E item 8)

	2003 \$'000	2002 \$'000
Retained earnings at the beginning of the financial year	1,084	2,982
Adjustment resulting from change in accounting policy for providing for dividends	-	-
Adjustment resulting from change in accounting policy for profit sharing bonus plans	-	-
Net profit attributable to members of Compumedics Limited	(18,556)	(1,898)
Transfer from share capital on buy-back of preference shares	-	-
Dividends provided for or paid	-	-
Retained profits at the end of the financial year	(17,472)	1,084

NTA Backing (Appendix 4E item 9)

	2003	2002
Net tangible asset backing per ordinary share	8.3 cents	9.2 cents

Controlled entities acquired or disposed of (Appendix 4E item 10)

Acquired			
Date control gained	Date	Date	Date
Contribution to profit from ordinary activities after tax in current period, where material	N/A	N/A	N/A
Profit from ordinary activities after tax during the whole of the previous corresponding period, where material	N/A	N/A	N/A

Disposed of			
Date control lost	Date	Date	Date
Contribution to profit from ordinary activities after tax in current period, where material	N/A	N/A	N/A
Profit from ordinary activities after tax during the whole of the previous corresponding period, where material	N/A	N/A	N/A

Compumedics Limited Supplementary Appendix 4E information

Associates and Joint Venture entities *(Appendix 4E item 11)*

Name	Ownership interest		Aggregate share of profits/(losses), where material		Contribution to net profit, where material	
	2003 %	2002 %	2003 \$	2002 \$	2003 \$	2002 \$
	N/A	N/A	N/A	N/A #	N/A	N/A

Other significant information *(Appendix 4E item 12)*

Commentary as already provided.

Commentary on results *(Appendix 4E item 14)*

Earnings per share

As the company did not return a profit in the period earnings per share were negative.

Returns to shareholders

As the company did not return a profit during the period returns to shareholders were negative.

Significant features of operating performance

Comments already noted.

Results of segments

Primary segment

The sleep segment performed very strongly posting a segment result of \$3.1m before accounting adjustments. This reflects the fundamental growth of this business and the distribution structures now in place around the world.

The Neuroscan business performed strongly outside of the USA but suffered in the USA due to the delay in Synamp2 that ran 6 months late. This product shipped on the end of the financial year, in the USA and has been well received since then. The Synamp2 replaces Neuroscan's SynampI product which is Neuroscan's primary product. The Synamp2 was developed post-acquisition.

The Neuroscience business has grown strongly following the formation of the business in the USA in the second half of the year. The result was a \$0.6m loss before adjustments and in line with expectations as resources have been added to this business to fuel its growth.

The Neuromedical supplies business has performed very well in the period with a \$0.6m result. This business will continue to receive separate focus as it develops into a business in its own right.

Compumedics Limited Supplementary Appendix 4E information

Trends in performance

The Company expects revenues to continue to grow.

Margins and earnings should improve with the growth in the company. The business has in place the structures for each of its markets and the focus will be on delivering earnings and cash from these activities

Other factors that affected results in the period or which are likely to affect results in the future

All material matters have been discussed.

Foreign Accounting standards *(Appendix 4E item 13)*

Not applicable

Audit *(Appendix 4E items 15 - 17)*

This report is based on accounts that are in the process of being audited.