

# **COMPUMEDICS LIMITED**

(ACN 006 854 897)

## **ASX Preliminary final report – 30 June 2004**

Lodged with the ASX under Listing Rule 4.3A

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**Compumedics Limited**  
**Year ended 30 June 2004**  
(Previous corresponding period:  
Year ended 30 June 2003)

**Results for Announcement to the Market**

				<b>\$'000</b>
<b>Revenue</b> from ordinary activities <i>(Appendix 4E item 2.1)</i>	up/down	6%	to	33,963
<b>Earnings before interest, tax, depreciation and amortisation</b>	up/down	55%	to	2,944
<b>Profit/(loss)</b> from ordinary activities after tax attributable to members <i>(Appendix 4E item 2.2)</i>	up/down	N/A	to	2,397
<b>Net profit/(loss)</b> for the period attributable to members <i>(Appendix 4E item 2.3)</i>	up/down	N/A	to	2,397

<b>Dividends/distributions</b> <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)*

Revenues increased by 6% from \$32.1m to \$34.0m over the previous corresponding period. The US business in US dollars grew by 35% of the previous year to USD12.8m.

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

EBITDA increased by 55% from \$1.9m to \$2.9m for the financial year ending 30 June 2004. This improvement reflects strong gains in the operational efficiency of the business during the year.

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

The business returned to profits after tax for the year at a record \$2.4m compared to last year's result of a loss of \$18.6m. Last year's results were impacted by the decision to write off all intangible assets at that time.

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

The Directors are currently reviewing the dividend policy of the company and will inform the market when a decision has been made.

**Compumedics Limited**  
**Preliminary consolidated statement of financial performance**  
**For the year ended 30 June 2004**

		<b>2004</b>	<b>2003</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue from sale of goods and services		33,963	32,056
Cost of sales		(14,580)	(14,170)
Gross profit		19,383	17,886
Other revenues from operating activities		376	382
Administration		(3,487)	(4,230)
Sales & Marketing		(6,842)	(6,267)
Research & Development		(6,500)	(6,708)
Service	1	-	(1,966)
Logistics	1	-	(648)
Borrowing costs		(268)	(187)
Accelerated Amortisation Charge		-	(17,858)
Net foreign exchange gain/(loss)		(254)	631
<b>Profit / (Loss) from ordinary activities before income tax (expense) / benefit</b>		<b>2,409</b>	<b>(18,965)</b>
Income tax benefit / (expense)		(12)	408
<b>Profit / (Loss) from ordinary activities after income tax (expense) / benefit</b>		<b>2,397</b>	<b>(18,557)</b>
Net profit / (loss) attributable to members of Compumedics Limited		2,397	(18,557)
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>2,397</b>	<b>(18,557)</b>
<b>Earnings per share (cents):</b>			
Basic		1.7	(13.3)
Diluted		1.7	(13.3)
Basic earnings per share based on earnings before interest, tax, depreciation and amortisation		2.1	1.4
Diluted earnings per share based on earnings before interest, tax, depreciation and amortisation.		2.1	1.4

**Notes**

1. In the prior year service and logistics expenses were disclosed separately. In the current year these items now form part of cost of goods sold.

**Compumedics Limited**  
**Preliminary consolidated statement of financial position**  
**As at 30 June 2004**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CURRENT ASSETS</b>		
Cash assets	6,352	5,366
Receivables	10,239	8,624
Inventories	6,481	8,416
Other	69	180
<b>TOTAL CURRENT ASSETS</b>	<b>23,141</b>	<b>22,586</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	1,368	1,176
<b>NON-CURRENT ASSETS</b>	<b>1,368</b>	<b>1,176</b>
<b>TOTAL ASSETS</b>	<b>24,509</b>	<b>23,762</b>
<b>CURRENT LIABILITIES</b>		
Payables	4,614	5,120
Interest bearing liabilities	1,884	4,729
Current tax liabilities	55	52
Provisions	346	304
Other	1,330	1,217
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,229</b>	<b>11,422</b>
<b>NON CURRENT LIABILITIES</b>		
Interest bearing liabilities	2,122	508
Provisions	198	157
Other	15	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,335</b>	<b>665</b>
<b>TOTAL LIABILITIES</b>	<b>10,564</b>	<b>12,087</b>
<b>NET ASSETS</b>	<b>13,945</b>	<b>11,675</b>
<b>EQUITY</b>		
Contributed equity	29,020	29,147
Retained profits	(15,075)	(17,472)
<b>TOTAL EQUITY</b>	<b>13,945</b>	<b>11,675</b>

**Compumedics Limited**  
**Preliminary consolidated statement of cash flows**  
**For the year ended 30 June 2004**

	Note	2004 \$'000	2003 \$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of goods and services tax)		32,625	31,782
Payments for R&D activities (inclusive of goods and services tax)	1	(6,500)	-
Other payments to suppliers and employees (inclusive of goods and services tax)		(23,603)	(29,022)
		(30,103)	(29,022)
Interest and other items of a similar nature received		196	234
Other revenue		181	148
Interest and other costs of finance paid		(268)	(187)
Income taxes paid		15	-
<b>Net cash inflow (outflow) from operating activities</b>		<b>2,646</b>	<b>2,955</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchase of controlled entity, net of cash acquired		(2,293)	(734)
Payments for property, plant and equipment		(669)	(770)
Payments for goodwill acquired		-	(19)
Payments for intellectual property costs	1	-	(3,948)
Receipts of grants for intellectual property		-	59
Proceeds from sale of Property, plant and equipment		6	-
<b>Net cash inflow (outflow) from investing activities</b>		<b>(2,956)</b>	<b>(5,412)</b>
<b>CASH FLOWS FROM FINANCIAL ACTIVITIES</b>			
Proceeds from borrowings		3,847	-
Repayments of finance leases		(43)	(132)
Payment of GST on IPO		(127)	-
Repayment of borrowings		(2,381)	(578)
<b>Net cash inflow (outflow) from financing activities</b>		<b>1,296</b>	<b>(710)</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>986</b>	<b>(3,167)</b>
Cash at the beginning of the year		5,366	8,533
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>		<b>6,352</b>	<b>5,366</b>

**Note:**

1. Payments for Australian research and development activities, previously recorded as payments for intellectual property, have been included in cash flow from operating activities this year.

**Compumedics Limited**  
**Notes to the preliminary consolidated financial statements**  
**For the year ended 30 June 2004**

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

The material factors effecting revenue for the period was the movement in the AUD/USD exchange rate. Had the AUD not appreciated against the USD by 21% in the year ended 30 June 2004, the reported revenue number would have been \$39.4m. The major factor in the underlying growth in revenues ignoring the exchange rate was the growth in the US business revenues by 35% in US dollars from USD9.5m to USD12.8m.

The net impact on the EBIT line related to the 31% appreciation of the AUD against the USD was \$(1.1) m. That is to say the business would have reported EBIT of \$3.6m rather than \$2.5m.

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

The major impact effecting assets and liabilities for the period was the renegotiation of debt in December 2003 related to the acquisition of the Neuroscan business in April 2002. In December 2003 the remaining USD debt was converted to Australian dollars and the payment schedule increased to be repayable over a three-year period.

Debts of AUD 1.7m and 2.3m were repaid to the National Australia Bank and to the Marmon group respectively. New borrowings with the ANZ were instigated and the details of those new borrowings at the 30<sup>th</sup> June 2004 are:

Principal to be repaid	\$3.35m
Quarterly repayment amounts	\$0.35m
Number of quarterly repayments remaining	9.5

**Compumedics Limited**  
**Notes to the preliminary consolidated financial statements**  
**For the year ended 30 June 2004**

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

The net cash balance of the entity improved to \$6.3m for the period end compared to \$5.4m for the previous period. This improvement was largely driven by operational efficiencies gained during the year, which led the business back to profits and greater control of working capital as represented by the reduction in inventories for the period from \$8.4m at June 30, 2003 to \$6.5m at June 30, 2004.

**Changes in accounting policies**

There were no changes in accounting policies during the year.

**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**

	2004 \$'000	2003 \$'000
The income tax expenses for the financial year differs from the amount calculated on the profit.		
The differences are reconciled as follows:		
Profit from ordinary activities before income tax expense / (benefit)	2,409	(18,965)
Income tax calculated @ 30%	723	(5,690)
Tax effect of permanent differences		
25% Non-grant R&D loading / allowance	(324)	(248)
Other permanent differences	(60)	(111)
Non-deductible amortisation	-	-
Non deductible intellectual property write down	-	2,614
Timing differences not brought to account	521	865
Utilisation of prior year tax losses	(830)	-
Current tax losses not brought to account	-	1,646
Write off tax losses previously brought to account	-	671
	30	(253)
Under (over) provision in previous year	(18)	(155)
<b>Aggregate income tax expense / (benefit)</b>	<b>12</b>	<b>(408)</b>

**Compumedics Limited**  
**Notes to the preliminary consolidated financial statements**  
**For the year ended 30 June 2004**

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

	2004 \$'000	2003 \$'000
Profit/Loss from ordinary activities	2,397	(18,557)
Depreciation & amortisation	471	20,914
Exchange gain on Loans payable	(383)	-
Doubtful debts	(235)	(69)
<b>Change in operating assets and liabilities, net of effects from purchase of controlled entity</b>		
Decrease (Increase) in trade and other debtors	(1,380)	(269)
Decrease (Increase) in inventories	1,935	104
Decrease (Increase) in income tax receivables	78	-
Decrease (Increase) in other operating assets	33	(191)
(Decrease) Increase in trade creditors	(480)	1,530
(Decrease) Increase in other operating liabilities	125	(378)
(Decrease) Increase in provision for income taxes payable	3	(178)
(Decrease) Increase in provision for deferred income tax	-	(254)
(Decrease) Increase in other provisions	82	303
<b>Net cash inflow / (outflow) from operating activities</b>	<b>2,646</b>	<b>2,955</b>



**Compumedics Limited**  
**Notes to the preliminary consolidated financial statements**  
**For the year ended 30 June 2004**

**Segment reporting – Primary**  
**For the year ended 30 June 2004**

					\$'000	
	Sleep	Neuroscan	Neuroscience	NMS*	Unallocated/ Elimination	Group
Sales to external customers	18,215	10,917	1,975	2,856		33,963
Intersegment sales						-
<b>Total sales revenue</b>	<b>18,215</b>	<b>10,917</b>	<b>1,975</b>	<b>2,856</b>	<b>-</b>	<b>33,963</b>
Other revenue	96	58	11	15		181
<b>Total segment revenue</b>	<b>18,313</b>	<b>10,975</b>	<b>1,985</b>	<b>2,871</b>	<b>-</b>	<b>34,144</b>
<b>SEGMENT RESULT</b>	<b>1,945</b>	<b>1,708</b>	<b>(881)</b>	<b>181</b>	<b>(472)</b>	<b>2,481</b>
Interest expense/ (income)						72
Tax expense/(credit)						12
<b>PAT</b>						<b>2,397</b>
<b>Segment assets</b>	<b>8,322</b>	<b>5,092</b>	<b>1,234</b>	<b>1,720</b>		<b>16,368</b>
Unallocated assets						8,141
Tax assets						-
<b>Total assets</b>						<b>24,509</b>
<b>Segment liabilities</b>	<b>2,932</b>	<b>5,764</b>	<b>318</b>	<b>460</b>		<b>9,474</b>
Unallocated liabilities						1,035
Tax liabilities						55
<b>Total liabilities</b>						<b>10,564</b>
<b>Net assets</b>						<b>13,945</b>
Acquisition of PPE	-	-	-	-	652	652
Acquisition of intangibles and other non-current segment Assets	-	-	-	-	-	-
Depreciation and amortisation	-	-	-	-	(472)	(472)
Other non-cash expenses	-	-	-	-	-	-

\* NMS = Neuro Medical Supplies

**Compumedics Limited**  
**Notes to the preliminary consolidated financial statements**  
**For the year ended 30 June 2004**

**Segment reporting – Primary**  
**For the year ended 30 June 2003**

						\$'000
	Sleep	Neuroscan	Neuroscience	NMS*	Unallocated/ Elimination	Group
Sales to external customers	17,677	9,649	2,139	2,591		32,056
Intersegment sales						-
<b>Total sales revenue</b>	<b>17,677</b>	<b>9,649</b>	<b>2,139</b>	<b>2,591</b>		<b>32,056</b>
Other revenue	81	44	11	12		148
<b>Total segment revenue</b>	<b>17,758</b>	<b>9,693</b>	<b>2,150</b>	<b>2,603</b>	<b>-</b>	<b>32,204</b>
<b>SEGMENT RESULT</b>	<b>(6,179)</b>	<b>(7,170)</b>	<b>(5,778)</b>	<b>624</b>	<b>(509)</b>	<b>(19,012)</b>
Interest expense/ (income)						(47)
Tax expense/(credit)						(408)
<b>PAT</b>						<b>(18,557)</b>
<b>Segment assets</b>	<b>10,259</b>	<b>3,560</b>	<b>858</b>	<b>2,363</b>		<b>17,040</b>
Unallocated assets						6,722
Tax assets						-
<b>Total assets</b>						<b>23,762</b>
<b>Segment liabilities</b>	<b>4,020</b>	<b>6,336</b>	<b>305</b>	<b>370</b>		<b>11,032</b>
Unallocated liabilities						1,055
Tax liabilities						-
<b>Total liabilities</b>						<b>12,087</b>
<b>Net assets</b>						<b>11,675</b>
Acquisition of PPE	-	-	-	-	771	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 2004**

**Segment reporting – Secondary**  
**For the year ended 30 June 2004**

				\$'000
	USA	ROW	Unallocated/ Elimination	Group
Sales to external customers	18,020	15,943		33,963
Intersegment sales	1,348	5,037	(6,385)	-
<b>Total sales revenue</b>	<b>19,368</b>	<b>20,980</b>	<b>(6,385)</b>	<b>33,963</b>
Other revenue	1	180	-	181
<b>Total segment revenue</b>	<b>19,369</b>	<b>21,160</b>	<b>(6,385)</b>	<b>34,144</b>
<b>Segment Assets</b>	<b>3,484</b>	<b>21,081</b>	<b>(56)</b>	<b>24,509</b>
Unallocated assets				-
Tax assets				-
<b>Total assets</b>				<b>24,509</b>
Acquisition of PPE	235	417	-	652
Acquisition of intangibles and other non-current segment assets				

**Compumedics Limited**  
**Notes to the preliminary consolidated financial statements**  
**For the year ended 30 June 2004**

**Segment reporting – Secondary**  
**For the year ended 30 June 2003**

				\$'000
	USA	ROW	Unallocated/ Elimination	Group
Sales to external customers	16,190	15,866		32,056
Intersegment sales	1,632	4,077	(5,709)	-
<b>Total sales revenue</b>	<b>17,822</b>	<b>19,943</b>	<b>(5,709)</b>	<b>32,056</b>
Other revenue	-	148	-	148
<b>Total segment revenue</b>	<b>17,822</b>	<b>20,091</b>	<b>(5,709)</b>	<b>32,204</b>
<b>Segment Assets</b>	<b>8,262</b>	<b>20,624</b>	<b>(5,124)</b>	<b>23,762</b>
Unallocated assets				-
Tax assets				-
<b>Total assets</b>				<b>23,762</b>
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 2004**

**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 <sup>2</sup> (Appendix 4E item 6)

Details of dividends/distributions declared or paid during or subsequent to the year ended 30 June 2004 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)

	2004 \$'000	2003 \$'000
Retained earnings at the beginning of the financial year	(17,472)	1,084
Net profit attributable to members of Compumedics Limited	2,397	(18,556)
Dividends provided for or paid	-	-
Retained profits at the end of the financial year	<u>(15,075)</u>	<u>(17,472)</u>

#### NTA Backing (Appendix 4E item 9)

	2004	2003
Net tangible asset backing per ordinary share	9.9 cents	8.3 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*

Earnings per share improved from (13.3) cents to 1.7 cents as a result of restoration of profitability. The profitability resulted from growth and operational gains during the year.

#### *Returns to shareholders*

As per earnings per share commentary.

#### *Significant features of operating performance*

Comments already noted.

#### *Results of segments*

Primary Segments:

All segments of the business, except for the Neuroscience division, grew during the year ended 30 June 2004, albeit at lower rates than expected, due to the strong Australian dollar and the focus on profitability.

As a result of the focus on profitability, all segments of the business achieved profits in the year, except for Neuroscience. Neuroscience is in an expansion phase of its business and as a consequence is being invested in to ensure its growth and profitability over the years ahead.

Both the Sleep and Neuroscan businesses generated profits during the year. The focus will be to continue to grow the revenues and profits of these divisions.

## **Compumedics Limited**

### **Supplementary Appendix 4E information**

#### ***Trends in performance***

The Company expects revenues to continue to grow.

Margins and earnings should continue to 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.