

COMPUMEDICS LIMITED

(ACN 006 854 897)

ASX final report – 30 June 2008

Lodged with the ASX under Listing Rule 4.3A

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Compumedics Limited
Financial Report
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Results for Announcement to the Market

				\$'000
Revenue from ordinary activities <i>(Appendix 4E item 2.1)</i>	Increased	5%	to	38,582
Profits before interest, tax, depreciation and amortisation	Increased	515%	to	756
Profits from ordinary activities after tax attributable to members <i>(Appendix 4E item 2.2)</i>	Increased	515%	to	756
Net profits for the period attributable to members <i>(Appendix 4E item 2.3)</i>	Increased	515%	to	756

Dividends/distributions <i>(Appendix 4E item 2.4)</i>	Amount per security	Franked amount per security
Final dividend (Prior Year)	n/a	n/a

Record date for determining entitlements to the dividend

(Appendix 4E item 2.5)

N/a

n/a

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

The group achieved growth in revenues from ordinary activities of 5%, despite a further 15% appreciation of the Australian dollar against the US dollar year on year.

The US business revenues grew by about 10% year on year in US dollars, largely due to a very good year for the brain research (Neuroscan) business (up 77% year on year). In addition the annuity-style revenues for the American business, being for supplies and technical service, also grew year on year and now represent about 16% of total US revenues, where as two years ago these two areas represented less than 10% of total revenues for the US business.

The Australian business at \$6.0m sales for the full year was more than 12% higher than the same time last year, reflecting the strong trading conditions in the Australian market this year where the sleep diagnostic business performed very strongly.

The DWL business achieved 4% revenue growth year on year, with total sales this year of \$5.9m.

The European business (excluding DWL) however performed below expectations with revenues there declining some 14% year on year to \$4.3m. The European business will be subject to intensified review and action to bring it back as a key contributor to the overall business.

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

EBITDA at \$1.9m for the year ended June 30, 2008 was a 46% improvement from the prior year EBITDA result of \$1.3m. The continuing improvement in EBITDA in the current year has been achieved despite a strengthening Australian dollar to the US dollar and a significant \$0.7m charge to the income statement for net foreign exchange losses, as a consequence of this.

The underlying turnaround in the EBITDA result reflects the on-going focus of the business to achieve efficiency gains and margin improvements where it can. It also reflects the increased level of sales achieved in the current financial year

The net foreign exchange losses are primarily related to the appreciation of the Australian dollar against the US dollar. Over the last two years the Australian dollar has risen from 74.8 US cents, at June 30, 2006 to 84.2 US cents at June 30, 2007 to 96.3 US cents at June 30 this year. Despite this the business has been able to continue to restore profitability through diligence, focus and hard work.

During the year ended June 30, 2008 the Company capitalised development costs of \$1.2m associated with its SomniLink® SPAP® sleep treatment technology. The intangible asset carrying value at June 30, 2008 was \$2.0m.

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

Profits from ordinary activities after tax at \$0.8m for the year ended June 30, 2008 was a \$0.7m improvement from the \$0.1m profit recorded for the prior year.

The above explanation for the improvement in EBITDA reflects the underlying operational improvements in earnings and the sales growth achieved for the full year over the prior year.

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

No dividends have been declared or paid in the period.

Compumedics Limited

Consolidated income statement for the year ended 30 June 2008

	2008	2007
	\$'000	\$'000
Revenue from continuing operations	38,582	36,734
Other income	379	137
Cost of sales	(16,574)	(15,384)
Administration	(4,852)	(4,277)
Sales & Marketing	(10,850)	(10,573)
Research & Development	(4,588)	(4,600)
Finance costs	(714)	(871)
Net foreign exchange gain / (loss)	(700)	(1,043)
Profit/(Loss) before income tax	683	123
Income tax (expense)/income	73	-
Profit/(Loss) for the full year	756	123
Profit/(Loss) attributable to members of Compumedics Limited	756	123
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company (cents):		
Basic earnings per share	0.5	0.1
Diluted earnings per share	0.5	0.1

The above consolidated income statement should be read in conjunction with the accompanying notes.

Compumedics Limited
Consolidated balance sheet
as at 30 June 2008

	2008 \$'000	2007 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	571	363
Receivables	12,166	12,464
Inventories	4,684	4,991
Total current assets	17,421	17,818
Non current assets		
Property, plant and equipment	693	613
Intangible assets	2,028	820
Non current assets	2,721	1,433
Total assets	20,142	19,251
LIABILITIES		
Current liabilities		
Payables	5,934	6,296
Borrowings	2,745	3,398
Deferred tax liabilities	-	73
Provisions	1,760	1,492
Deferred revenue	977	1,059
Total current liabilities	11,416	12,318
Non-current liabilities		
Borrowings	16	7
Provisions	16	12
Deferred revenues	189	-
Total non-current liabilities	221	19
Total liabilities	11,637	12,337
Net assets	8,505	6,914
EQUITY		
Contributed equity	30,750	29,492
Reserves	(1,206)	(783)
Retained losses	(21,039)	(21,795)
Total equity	8,505	6,914

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Compumedics Limited
Consolidated statement of changes in equity for the full year
as at 30 June 2008

	2008	2007
	\$'000	\$'000
Total equity at the beginning of the financial year	6,914	6,717
Exchange differences on translation of foreign operations	(165)	(198)
Net income/(loss) recognised directly in equity	(165)	(198)
Profit/(Loss) for the year	756	123
Total recognised income and expenses for year	591	(75)
Transactions with equity holders in their capacity as equity holders:		
Value of conversion rights on issue of Redeemable Convertible Notes (RCN's)	-	345
Deferred tax liability attributable to conversion rights on issue of RCN's	-	(73)
Conversion of RCN to equity	1,000	-
Total equity at the end of the financial year	8,505	6,914

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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Compumedics Limited
Consolidated cash flows statement
for the year ended 30 June 2008

	2008	2007
	\$'000	\$'000
Cash flow from operating activities		
Receipts from customers (inclusive of goods and services tax)	37,784	37,178
Payments to suppliers and employees (inclusive of goods and services tax)	(35,778)	(35,762)
Interest and other costs of finance paid	(528)	(705)
Interest received	6	84
Receipts from grants and other income	379	52
Net cash inflow/(outflow) from operating activities	5	1,863
Cash flows from investing activities		
Payments for property, plant and equipment	(633)	(160)
Payments for intangible assets	(1,208)	(797)
Net cash inflow/(outflow) from investing activities	(1,841)	(957)
Cash Flows from financial activities		
Proceeds from borrowings	2,857	-
Repayments of finance leases	(11)	(103)
Repayment of borrowings	(2,230)	(2,714)
Net cash inflow/(outflow) from financing activities	616	(2,817)
Net decrease in cash and cash equivalents	638	(2,927)
Cash and cash equivalents at the beginning of the year	(555)	2,354
Effects of exchange rate changes on cash	7	18
Cash and cash equivalents at the end of the financial year	90	(555)
This is represented by:		
Cash Assets	571	363
Bank Overdraft (Interest bearing liabilities)	(481)	(918)
Net Cash	90	(555)

The above consolidated cash flows statement should be read in conjunction with the accompanying notes.

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2008

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below.

These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation of consolidated financial report

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

This preliminary consolidated financial report for the year ended 30 June 2008 does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Compumedics Limited during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Compumedics Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Going Concern

During the full year ended 30 June 2008 the consolidated entity (Compumedics) generated an operating profit of \$0.8m and positive cash flows from operations of \$1.8m. In the prior year Compumedics generated an operating profit of \$0.1m and positive cash flows from operations of \$0.8m.

The consolidated entity has implemented new funding arrangements with HSBC during January 2008, which the consolidated entity believes will continue to provide it with sufficient funding facilities. These facilities are currently subject to a scheduled annual review process that is to be completed by September 30, 2008. The Directors, at this point in time, believe the facilities will be rolled over, as an outcome of that review and that facilities appropriate to the needs of the business will be obtained.

The continuing viability of the consolidated entity requires:

- The consolidated entity to achieve its budget and comply with its bank covenants
- Improvement in the terms under which receivables are collected
- The successful launch of the SomniLink® SPAP® product
- Obtaining increased flexibility of funding to better meet the cyclic cash flow requirements of the business
- Improvement in the performance of the European business

The Directors believe the consolidated entity will be successful in the above activities and accordingly have prepared the financial report on the basis that the Company will realise its assets and settle its liabilities and commitments in the normal course of business and for at least the amounts stated in the financial report.

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2008

Note 2. Segment information

Segment reporting – Primary
For the year ended 30 June 2008

	Sleep	Brain Research - Neuroscan	Clinical EEG & DWL - Neuroscience	Supplies & Service - NMS	Unallocated/ Elimination	\$'000	
						Group	
Sales to external customers	15,618	10,921	7,698	4,345	-	38,582	
Intersegment sales	-	-	-	-	-	-	
Total sales revenue	15,618	10,921	7,698	4,345	-	38,582	
Other income/revenues	173	121	85	-	-	379	
Net foreign exchange gain	-	-	-	-	-	-	
Total revenue/income	15,791	11,042	7,783	4,345	-	38,961	
SEGMENT RESULT	849	1,191	(1,582)	939	-	1,397	
Finance costs						(714)	
Tax (expense)/income						73	
Profit for the year						756	
Segment assets	6,310	4,227	3,780	2,533	-	16,850	
Unallocated assets						3,292	
Tax assets						-	
Total assets						20,142	
Segment liabilities	2,402	1,680	1,184	668			
Unallocated liabilities						5,703	
Tax liabilities						-	
Total liabilities						11,637	
Net assets						8,505	
Acquisition of PPE						633	633
Depreciation & Amortisation						(552)	(552)

Compumedics Limited
Notes to the consolidated financial statements
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Segment reporting – Primary
For the year ended 30 June 2007

	Sleep	Brain Research - Neuroscan	Clinical EEG & DWL - Neuroscience	Supplies & Service - NMS	Unallocated/ Elimination	Group
Sales to external customers	15,401	8,528	8,614	4,191		36,734
Intersegment sales	-	-	-	-	-	-
Total sales revenue	15,401	8,528	8,614	4,191	-	36,734
Other income/revenues	65	36	36	-	-	137
Net foreign exchange gain	-	-	-	-	-	-
Total revenue/income	15,466	8,564	8,650	4,191	-	36,871
SEGMENT RESULT	391	214	(541)	930	-	994
Finance costs						(871)
Tax expense						-
Profit for the year						123
Segment assets	7,206	3,664	3,994	2,590	-	17,454
Unallocated assets						1,797
Tax assets						-
Total assets						19,251
Segment liabilities	2,946	1,640	1,656	806		7,048
Unallocated liabilities						5,289
Tax liabilities						-
Total liabilities						12,337
Net assets						6,914
Acquisition of PPE	-	-	-	-	160	160
Depreciation & Amortisation	-	-	-	-	(465)	(465)

Explanation of Primary business segments

The primary business segments are based on the significant areas in which the business operates. These include:

- (i) Sleep – sleep diagnostic hardware and software for clinical application
- (ii) Neuroscan – neurological research hardware and software for research application
- (iii) Neuroscience – neurological and trans cranial Doppler hardware and software for clinical application
- (iv) NMN – neuro medical supplies for use in all three areas above. The section also includes service contracts

Compumedics Limited
Notes to the consolidated financial statements
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Segment reporting – Secondary
For the year ended 30 June 2008

\$'000

	USA	Asia/Pac	EUR	Elimination	Group
Sales to external customers	15,426	16,407	6,749	-	38,582
Intersegment sales	1,347	2,862	435	(4,644)	-
Total sales revenue	16,773	19,269	7,184	(4,644)	38,582
Other income/revenue	7	369	3	-	379
Total segment revenue	16,780	19,638	7,187	(4,644)	38,961
Segment Assets	5,181	22,360	3,750	(11,149)	20,142
Tax assets					-
Total assets					20,142

Explanation of changed secondary segment reporting

Sales to external customers are recorded based on the geographical location of the customer.

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Notes to the consolidated financial statements
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Segment reporting – Secondary
For the year ended 30 June 2007

	USA	Asia/Pac	EUR	Elimination	Group
Sales to external customers	15,197	10,762	10,775	-	36,734
Intersegment sales	1,182	2,125	811	(4,118)	-
Total sales revenue	16,379	12,887	11,586	(4,118)	36,734
Other income/revenue	1	78	58	-	137
Total segment revenue	16,380	12,965	11,644	(4,118)	36,871
Segment Assets	5,081	19,624	3,925	(9,379)	19,251
Tax assets					-
Total assets					19,251

Explanation of changed secondary segment reporting

Following the acquisition of the DWL business in September, 2004 the European based business has grown to represent a material component of the overall group in terms of revenues.

Sales to external customers are recorded based on the geographical location of the customer.

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Compumedics Limited
Notes to the consolidated financial statements
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Note 3. Dividends (Appendix 4E, Item 6)

No dividend has been declared or paid in the current or prior period

Dividend/distribution reinvestment plans *(Appendix 4E item 7)*
NOT APPLICABLE

Note 4. Events occurring after reporting date

The company is not aware of any material matters that would impact the financial performance of the company at this time.

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Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2008

Note 5 - Reconciliation of profit after income tax to net cash flow from operating activities

	2008	2007
	\$'000	\$'000
Profit / (Loss) for the year	756	123
Depreciation & amortisation	552	465
Property lease benefit amortisation	(9)	(84)
Change in deferred tax	(73)	-
RCN equity taken as interest	154	1
Net exchange differences	(139)	(91)
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
Decrease (Increase) in receivables	298	648
Decrease (Increase) in inventories	307	(164)
(Decrease) Increase in payables	(362)	(146)
(Decrease) Increase in deferred revenues	107	(40)
(Decrease) Increase in other provisions	272	51
Net cash inflow/(outflow) from operating activities	1,863	763

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Compumedics Limited
Supplementary Appendix 4E information
for the year ended 30 June 2008

Net Tangible Asset Backing *(Appendix 4E item 9)*

	2008	2007
Net tangible asset backing per ordinary share	4.1 cents	4.4 cents

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

No control was gained over any new entities nor control lost over any existing entities of the group.

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

The company has no interest in any joint ventures at the date of this report.

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

Earnings per share

Earnings per share improved with the underlying improvement in earnings for the Company already discussed.

Returns to shareholders

As per earnings per share commentary.

Significant features of operating performance

Comments already noted.

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Compumedics Limited
Supplementary Appendix 4E information
for the year ended 30 June 2008

Results of segments

Primary Segments:

Most primary business segments showed improvement consistent with the underlying performance of the group.

Trends in performance

The focus for the Company will be on the continuing restoration of earnings and the consistent achievement of such earnings over time. The Company will also continue to logically expand its market penetration in each of its existing key markets as the financial capacity of the Company allows for this.

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.

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