COMPUMEDICS LIMITED
(ACN 006 854 897)

ASX Preliminary final report – 30 June 2005
Lodged with the ASX under Listing Rule 4.3A

Contents

Compumedics Limited
Year ended 30 June 2005
(Previous corresponding period:
Year ended 30 June 2004)

Results for Announcement to the Market

				$'000
Revenue from ordinary activities *(Appendix 4E item 2.1)*	up/~~down~~	12%	to	38,157
(Losses) before interest, tax, depreciation and amortisation	na	N/A	to	(2,562)
(Losses) from ordinary activities after tax attributable to members *(Appendix 4E item 2.2)*	na	N/A	to	(3,898)
Net (loss) for the period attributable to members *(Appendix 4E item 2.3)*	na	N/A	to	(3,898)

Dividends/distributions *(Appendix 4E item 2.4)*	Amount per security	Franked amount per security
Final dividend (Prior Year)	0.5¢	0.5¢

Record date for determining entitlements to the dividend *(Appendix 4E item 2.5)* **29 Nov 04**

Explanation of Revenue *(Appendix 4E item 2.6)*
Revenues increased 12% from $34m to $38m over the previous corresponding period. The increase in revenues was primarily driven by the acquisition of DWL in September, 2004.

The US business grew by 6% in USD for the year ended June 30, 2005 over the previous corresponding period from USD12.4m to USD13.2m. The slow down in growth as previously indicated to market was due to sales and marketing management issues. These issues are being addressed now that the new VP of Sales and VP of Marketing for the American business have started with the company. This was previously announced to market.

The Asia Pacific and European businesses were also impacted by sales and marketing issues and achieved sales of $14.4m for the year ended June 30, 2005 compared to $15.9m for the previous corresponding period. Again new sales and marketing management recently bought into the business are in the process of restoring these markets to their historical growth rates.

Explanation of Earnings before interest, tax, depreciation and amortisation *(Appendix 4E item 2.6)*
EBITDA declined from earnings of $2.9m to a loss of $2.6m compared to the previous corresponding period. The acquisition costs of DWL are once off and will not repeat in the current year. The business incurred non-cash foreign exchange losses of $0.8m associated with the restatement of the USA and European assets as a result of the appreciation of the USA dollar and the Euro over the 12 month period to June 30, 2005.

The remaining trading loss was primarily due to investing activities including the acquisition of DWL ($0.5m), the development of the Cardio Sleep Services business in the USA ($0.3m), incremental marketing costs for DWL in the USA ($0.4m) and increased sales and marketing activities in the USA ($0.6m). These activities are all expected to generate incremental revenues and profitability in the current financial year.

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

The company incurred a loss of $3.9m from ordinary activities after tax for the year ended June 30, 2005 compared to a profit of $2.4m for the previous corresponding period.

The loss this year has resulted from the activities noted as impacting EBITDA. In addition the company, as noted in the acquisition details, is amortising off the intellectual property acquired as part of the DWL acquisition over approximately 4 years. This impacted non-cash expenses by $0.4m in the year ended June 30, 2005.

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

The company paid a dividend in December 2004 out of profits for the year ended June 30, 2004. This dividend was declared at the AGM in October 2004. As the company stated then, a dividend will be paid as and when the company can afford to do so. In line with this policy the company does not intend to pay a dividend for the 12 month period ended 30 June, 2005.

Compumedics Limited
Preliminary consolidated statement of financial performance
For the year ended 30 June 2005

	2005 $'000	2004 $'000
Revenue from sale of goods and services	38,157	33,963
Cost of sales	(17,864)	(14,580)
Gross profit	20,293	19,383
Other revenues from operating activities	342	376
Administration	(5,019)	(3,487)
Sales & Marketing	(10,323)	(6,842)
Research & Development	(7,883)	(6,500)
Borrowing costs	(549)	(268)
Net foreign exchange (loss)	(758)	(254)
Profit / (Loss) from ordinary activities before income tax (expense) / benefit	**(3,897)**	**2,409**
Income tax (expense)	(1)	(12)
Profit / (Loss) from ordinary activities after income tax (expense) / benefit	**(3,898)**	**2,397**
Net profit / (loss) attributable to members of Compumedics Limited	(3,898)	2,397
Total changes in equity other than those resulting from transactions with owners as owners	**(3,898)**	**2,397**
Earnings per share (cents):		
Basic	(2.8)	1.7
Diluted	(2.8)	1.7
Basic earnings per share based on earnings before interest, tax, depreciation and amortisation	(1.8)	2.1
Diluted earnings per share based on earnings before interest, tax, depreciation and amortisation	(1.8)	2.1

Compumedics Limited
Preliminary consolidated statement of financial position
As at 30 June 2005

	2005 $'000	2004 $'000
CURRENT ASSETS		
Cash assets	3,922	6,352
Receivables	11,357	10,239
Inventories	5,962	6,481
Other	426	69
TOTAL CURRENT ASSETS	21,667	23,141
NON-CURRENT ASSETS		
Property, plant and equipment	1,521	1,368
Intangible assets	1,361	-
NON-CURRENT ASSETS	2,882	1,368
TOTAL ASSETS	**24,549**	**24,509**
CURRENT LIABILITIES		
Payables	7,456	4,614
Interest bearing liabilities	1,390	1,884
Current tax liabilities	72	55
Provisions	535	346
Other	1,078	1,330
TOTAL CURRENT LIABILITIES	10,531	8,229
NON CURRENT LIABILITIES		
Interest bearing liabilities	4,546	2,122
Provisions	115	198
Other	10	15
TOTAL NON-CURRENT LIABILITIES	4,571	2,335
TOTAL LIABILITIES	**15,202**	**10,564**
NET ASSETS	**9,347**	**13,945**
EQUITY		
Contributed equity	29,020	29,020
Retained losses	(19,673)	(15,075)
TOTAL EQUITY	**9,347**	**13,945**

Compumedics Limited
Preliminary consolidated statement of cash flows
For the year ended 30 June 2005

	2005 $'000	2004 $'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of goods and services tax)	37,386	32,625
Payments to suppliers and employees for R&D activities (inclusive of goods and services tax)	(7,883)	(6,500)
Other payments to suppliers and employees (inclusive of goods and services tax)	(29,683)	(23,620)
	(37,567)	(30,120)
Interest and other items of a similar nature received	210	196
Receipts from grants and items of a similar nature received	132	181
Interest and other costs of finance paid	(533)	(268)
Income taxes paid	5	15
Net cash inflow (outflow) from operating activities	**(367)**	**2,629**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of controlled entity, net of cash acquired	(2,622)	(2,293)
Payments for property, plant and equipment	(345)	(652)
Proceeds from sale of property plant and equipment	-	6
Dividend Payment	(700)	-
Net cash inflow (outflow) from investing activities	**(3,667)**	**(2,940)**
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Proceeds from borrowings	2,714	3,847
Repayments of finance leases	(133)	(43)
Payment of GST on IPO	-	(127)
Repayment of borrowings	(1,472)	(2,381)
Net cash inflow (outflow) from financing activities	**1,109**	**1,296**
NET INCREASE (DECREASE) IN CASH HELD	**(2,925)**	**986**
Cash at the beginning of the year	6,352	5,366
Effects of exchange rate changes on cash	(99)	-
CASH AT THE END OF THE FINANCIAL YEAR	**3,328**	**6,352**
This is represented by:		
Cash Assets	3,922	6,352
Bank Overdraft (Interest bearing liabilities)	(594)	-
Net Cash	**3,328**	**6,352**

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

The material factors affecting the revenues of the economic entity for the period were the acquisition of the DWL business which contributed $5.6m for the 10 months from acquisition date being September 1, 2004. The USA business posted marginal growth over the previous corresponding period. The decline in growth was driven as already noted by sales and marketing issues which are currently being addressed.

US sleep diagnostic sales increased for the year ended June 30, 2005 over the previous corresponding period from USD9.1m to USD9.8m representing growth of 8% for the year.

In Asia Pacific and Europe Neuroscan sales were $5.2m for the year ended June 30, 2005 compared to $5.0m for the previous corresponding period whilst sleep diagnostic sales were $5.9 for the year ended June 30, 2005 compared to $7.2m for the same period in the prior year. The decline in sales as already noted was due to sales and marketing management issues which are in the process of being addressed.

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

The major impact on the assets and liabilities of the company were the acquisition of the DWL business, which has added liabilities and working capital facilities of $3.7m to the balance sheet as well as intellectual property of $1.7m.

Details of the acquisition are as follows:
On 1 September 2004 the company acquired the DWL business, a company that is involved in the development, manufacture and sale of Trans Cranial Doppler (TCD) products. The company is based in Singen Germany and was purchased by Compumedics German based subsidiary company, Compumedics Germany GmbH.

At that time EUR1.5m was paid for the assets and intellectual property of the business. The acquisition price was debt funded and is repayable over a period up to six years. The operating results of this newly controlled entity have been included in the consolidated statement of financial performance since the date of acquisition.

Details of the acquisition are as follows:	
	$'000
Fair value of identifiable net assets of acquired	
Plant and equipment	138
Inventories	913
Patents	280
Trademarks	227
Leave Provisions	(173)
	1,385
Intellectual Property Acquired	1,237
Cash consideration	2,622

Compumedics is amortising the intangible assets acquired off over a period of approximately 4 years which reflects the useful life of the technology underpinning the existing product range at acquisition.

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

The material factors affecting the cash flows of the business were primarily the lower than expected trading result of the business, and the acquisition of the DWL business for EUR 1.5m on September 1, 2004. The business also made loan repayments of $1.5m for the period. The Company also paid for the dividend, as a result of the profits generated for the year ended June 30, 2004 in December 2004. This reduced cash by a further $0.7m.

Changes in accounting policies

Transition to Australian equivalents to International Financial Reporting Standards (A-IFRS)

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The consolidated entity has begun to manage the transition to AIFRS, a process which is led by the Chief Financial Officer.

To date most of the AIFRS have been analysed and the consolidated entity has identified the accounting policy changes that will be required for those policy changes identified. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

The consolidated entity will be taking advantage of the exemption under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 July 2005. This allows the consolidated entity to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report.

On the initial application of AIFRS, the consolidated entity will elect to apply the exemption in AASB 1 relating to the balance of the foreign currency translation reserve. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve will be deemed to be zero at the date of transition to AIFRS.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS are stated, where known, with descriptions of the differences. No material impacts are expected in relation to the statements of cash flows.

The disclosures should not however be considered a complete list of all impacts, as at this time not all policy impacts have been identified.

In addition, although the known adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB.

Therefore, until the consolidated entity prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

The material changes required by the transition to AIFRS are related to:

(i) The likely impacts of the assessment of the functional currencies of Compumedics Limited's off-shore operating entities, Compumedics USA Limited and Compumedics Germany GmbH.
(ii) The likely impacts of any changes to the currently issued IPO options and any future issues of options by the company.

Material changes may be required by the transition to AIFRS but insufficient analysis has been completed to date for the consolidated entity to assess their likely impact. These include:

(i) The possible recognition of deferred tax liabilities in respect of intellectual property acquired during the year.
(ii) The possible impact of tax consolidation under AIFRS.

Other changes that are required by the transition to AIFRS but are not considered to have a material impact on the restatement of the accounts include:

(i) Remeasurement of employee provision accounts

In considering the impact of the transition to AIFRS on the restatement of the 30 June 2005 accounts with regard to the material items noted above the following detailed analysis is provided.

(i) Foreign Exchange

Under current AGAAP, AASB 1012 *Foreign Currency Translation* looks to the relationship between the foreign operation and the reporting entity to determine the classification of a foreign operation as either integrated or self- sustaining, and the consequential method of translating the foreign operation's financial information. In determining whether foreign operations of the Group were self sustaining or integrated, under AGAAP, the governing determinants indicated that the activities and cash flows of the foreign operations were integrated with the activities of the parent entity. Consequently, under AGAAP, the assets, liabilities and equity of these operations are consolidated using the temporal method of translation.

Under AIFRS, on the other hand, AASB 121 *The Effects of Changes in Foreign Exchange Rates* does not distinguish between foreign operations that are integrated and those that are self sustaining. Instead, each entity must identify its functional currency by giving consideration to the determining factors as listed in that standard. These factors include both primary considerations as well as additional secondary factors that might further provide evidence of an entity's functional currency. The factors that resulted in the classification of these operations under AGAAP are given less weight than other factors under AIFRS.

The Group expects on transition to AIFRS to identify functional currencies of USD and Euro for its two material controlled foreign operations, Compumedics USA Limited and Compumedics Germany GmbH, respectively.

Consequently, the likely impact of the identification of functional currencies other than the Australian Dollar on foreign operations controlled by the group will be:

- the Group will be required to translate all items into the functional currency using the exchange rate at the date of transition, as this will correspond to the date of change.

Transactions and balances

- foreign currency transactions will be defined as any transactions in a currency other than the functional currency from the date of transition, and are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in a foreign currency will be recognised in the income statement.

Translation into Group presentational currency

- the results and financial position of all the Group entities that have a functional currency different from the Australian Dollar, will translated into Australian Dollars in the Group accounts, with all resulting exchange differences recognised as a separate component of equity.

any exchange differences arising on a monetary item that forms part of the reporting entity's net investment in that foreign operation will be recognised in the consolidated accounts as a separate component of equity and will only be recognised in the profit and loss on disposal of the net investment in that foreign operation.

The impact of this change in foreign exchange treatment as required by the transition to AIFRS has not yet been quantified, as the Company has yet to complete this phase of the AIFRS transition project.

(ii) Options Issued at IPO and post IPO

Under AASB 2 *Share-Based Payment*, from 1 July 2004 the group would be required to recognise an expense for any options that were issued to employees after 7 November 2002 but that had not vested by 1 January 2005.

This will result in a change to the current accounting policy under which no expense is recognised for equity based compensation.

The primary considerations with options issued to employees at IPO and post IPO in determining whether there is an impact on transition to AIFRS is whether their life is extended.

If the options are to lapse pursuant to their original terms there would be no impact as a consequence of the transition to A-IFRS for those options issued at IPO as these options were all granted before 7 November 2002. There would similarly be no impact as a consequence of the transition to AIFRS for those options issued post IPO as these options were fully vested at 1 January 2005.

However, if new options are issued or the options previously issued at IPO or post IPO have their life extended then there will be a charge to the profit and loss based on the assessed fair value of the options at that time, accounted for as an expense over their new vesting period, pursuant to the requirements of AASB 2.

At this time the Board has not determined whether the options issued at IPO or post IPO will have their lives extended. Therefore at this time there are no likely charges to the profit and loss.

As for the other impacts of the transition to A-IFRS, the consolidated entity does not at this time consider there to be any material financial restatement of the accounts.

(iii) Classification of liabilities

Under AASB 101 *Presentation of Financial Statements* liabilities are required to be classified as current when an entity breaches an undertaking under a long-term loan agreement on or before the reporting date with the effect that the liability becomes payable on demand, even if the lender has agreed, after the reporting date and before the authorisation of the financial report for issue, not to demand payment as a consequence of the breach.

If the policy required under AIFRS had been applied during the year ended 30 June 2005, $4.4m of the entity's non current interest bearing liabilities would be reclassified as current interest bearing liabilities as at 30 June 2005.

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

	2005 $'000	2004 $'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)	(3,897)	2,409
Income tax calculated @ 30%	(1,169)	723
Tax effect of permanent differences :		
25% Non-grant R&D loading / allowance	(312)	(324)
Other permanent differences	30	(60)
Timing differences not brought to account	419	521
Utilisation of prior year tax losses	-	(830)
Current tax losses not brought to account	1,047	-
	15	30
Under (over) provision in previous year	(14)	(18)
Aggregate income tax expense / (benefit)	**1**	**12**

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

	2005 $'000	2004 $'000
Profit/Loss from ordinary activities	(3,898)	2,397
Depreciation & amortisation	996	460
Exchange gain on Loans payable	-	(383)
Doubtful debts	115	(235)
Profit on disposal of property, plant and equipment	-	6
Non-current assets written off	20	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
Decrease (Increase) in trade and other debtors	(1,233)	(1,380)
Decrease (Increase) in inventories	1,432	1,935
Decrease (Increase) in income tax receivables	-	78
Decrease (Increase) in other operating assets	(358)	33
(Decrease) Increase in trade creditors	2,781	(505)
(Decrease) Increase in other operating liabilities	(349)	151
(Decrease) Increase in provision for income taxes payable	21	3
(Decrease) Increase in other provisions	106	82
Net cash inflow / (outflow) from operating activities	**(367)**	**2,629**

Segment reporting – Primary
For the year ended 30 June 2005

$'000

	Sleep	Neuroscan	Neuroscience	NMS*	Unallocated/ Elimination	Group
Sales to external customers	17,385	9,449	7,505	3,819		38,157
Intersegment sales						
Total sales revenue	**17,385**	**9,449**	**7,505**	**3,819**	**-**	**38,157**
Other revenue	173	94	75	-		342
Total segment revenue	**17,558**	**9,543**	**7,580**	**3,819**		**38,499**
SEGMENT RESULT	**(74)**	**(904)**	**(2,225)**	**641**	**(996)**	**(3,558)**
Interest expense/ (income)						339
Tax expense/(credit)						1
PAT						**(3,898)**
Segment assets	**7,267**	**4,144**	**4,113**	**1,795**	**-**	**17,319**
Unallocated assets						7,230
Tax assets						-
Total assets						**24,549**
Segment liabilities	**3,397**	**1,846**	**1,719**	**493**	**-**	**7,456**
Unallocated liabilities						7,674
Tax liabilities						72
Total liabilities						**15,202**
Net assets						**9,347**
Acquisition of PPE	**-**	**-**	**138**	**-**	**345**	**483**
Acquisition of intangibles and other non-current segment assets	**-**	**-**	**1,744**	**-**	**-**	**1,744**
Depreciation and amortisation					**(996)**	**(996)**

Explanation of Neuroscience result

In September 2004 Compumedics Germany GmbH acquired the business of DWL. As a consequence revenues for this segment have increased over the same period for 2004. Losses have been sustained as this business segment has the costs of acquisition allocated to it and we spend money in order to build market share in the clinical EEG markets around the world.

* NMS = Neuro Medical Supplies

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						-
Total sales revenue	**18,215**	**10,917**	**1,975**	**2,856**	-	**33,963**
Other revenue	96	58	11	15		181
Total segment revenue	**18,313**	**10,975**	**1,985**	**2,871**	-	**34,144**
SEGMENT RESULT	**1,945**	**1,708**	**(881)**	**181**	**(472)**	**2,481**
Interest expense/ (income)						72
Tax expense/(credit)						12
PAT						**2,397**
Segment assets	**8,322**	**5,092**	**1,234**	**1,720**		**16,368**
Unallocated assets						8,141
Tax assets						-
Total assets						**24,509**
Segment liabilities	**2,932**	**5,764**	**318**	**460**		**9,474**
Unallocated liabilities						1,035
Tax liabilities						55
Total liabilities						**10,564**
Net assets						**13,945**
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

Segment reporting – Secondary
For the year ended 30 June 2005

	USA	Asia/Pac	EUR	Unallocated/ Elimination	Group
					$'000
Sales to external customers	16,634	15,918	5,605		38,157
Intersegment sales	1,179	2,828	622	(4,630)	-
Total sales revenue	**17,813**	**18,747**	**6,227**	**(4,630)**	**38,157**
Other revenue	1	267	74		342
Total segment revenue	**17,814**	**19,014**	**6,301**	**(4,630)**	**38,499**
Segment Assets	**2,892**	**20,197**	**3,899**	**(2,439)**	**24,549**
Unallocated assets					-
Tax assets					-
Total assets					**24,549**
Acquisition of PPE	**141**	**175**	**167**		**483**
Acquisition of intangibles and other non-current segment assets			**1,744**		**1,744**
Depreciation & Amortisation	**(186)**	**(378)**	**(432)**		**(996)**

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.

It is expected that the European based business will remain a material component of the group's financial performance going forward. As a consequence, this year's secondary segment information, which highlights the geographical performance of the group, has been changed to split out from the previous rest of world number, both the Asia Pacific and European based businesses. The Asia Pacific business includes the Australian operations.

The European based business as reported here is at present the DWL business. Sleep, Clinical EEG and Neuroscan sales into Europe are still recorded as sales into Asia Pacific as they are currently shipped and invoiced directly from the factory in Melbourne to Europe.

Segment reporting – Secondary
For the year ended 30 June 2004

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

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.

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 2005 are as follows:

	Parent entity	
	2005	**2004**
	$'000	**$'000**
Ordinary shares		
Final dividend for the year ended 30 June 2004 of 0.5 cents per fully paid share paid December 20, 2004	-	700
Fully franked based on tax paid @ 30%		
Paid in cash	-	700
Satisfied by issue of shares	Nil	Nil

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

NOT APPLICABLE

Retained Earnings *(Appendix 4E item 8)*

	2005	**2004**
	$'000	**$'000**
Retained earnings at the beginning of the financial year	(15,075)	(17,472)
Net profit attributable to members of Compumedics Limited	(3,898)	2,397
Dividends provided for or paid	(700)	-
Retained profits at the end of the financial year	(19,673)	(15,075)

NTA Backing *(Appendix 4E item 9)*

	2005	2004
Net tangible asset backing per ordinary share	5.7 cents	9.9 cents

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

Acquired	**DWL**		
Date control gained	1 Sept, 2004 $'000	Date	Date
Contribution to loss from ordinary activities after tax in current period, where material	430	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

On 1 September 2004 the company acquired the DWL business, a company that is involved in the development, manufacture and sale of Trans Cranial Doppler (TCD) products. The company is based in Singen Germany and was purchased by Compumedics German based subsidiary company, Compumedics Germany GmbH.

At that time EUR1.5m was paid for the assets and intellectual property of the business. The acquisition price was debt funded and is repayable over a period up to six years. The operating results of this newly controlled entity have been included in the consolidated statement of financial performance since the date of acquisition.

Details of the acquisition are as follows:	
	$'000
Fair value of identifiable net assets of acquired	
Plant and equipment	138
Inventories	913
Patents	280
Trademarks	227
Leave Provisions	(173)
	1,385
Intellectual Property acquired	1,237
Cash consideration	2,622

Compumedics is amortising the intangible assets acquired as a result of the acquisition of DWL over a period of approximately 4 years which reflects the useful life of the technology underpinning the existing product range at acquisition.

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

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	
	2005 %	2004 %	2005 $	2004 $	2005 $	2004 $
	N/A	N/A	N/A	N/A	N/A	N/A

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

Banking facilities

During the year ended 30 June 2005 the consolidated entity ('Compumedics") incurred an operating loss, contributed in part by Compumedics strategy and resolve to change and restructure the organization to facilitate continued sales growth.

This past year has seen an aggressive restructure program implemented across the sales and marketing functions in each geographic territory of the business. This has been combined with further restructuring of the operational facets of the business.

In addition, the restructure programs have also enabled the DWL acquisition to be integrated into the broader organization so as to further contribute towards the Company's quest for ongoing profitable growth.

During this past reporting period and as the Company moves forward, the Company has been, and expects to be, strongly supported by it's bank as it works through this current strategy of restructuring for continued growth whilst focusing on restoring the profitability of the business. Compumedics has sought and been given a waiver for the breach of loan covenants during the year ended 30 June 2005. In addition the bank has agreed to restructure its facilities including the financial covenants to better reflect the dynamics of the business going forward. The Directors and executive management of the company are confident, based on its current budgeting, financial performance so far this year and the existing sales pipelines, to be compliant with the revamped facilities requirements during the course of 2006.

The Directors and executive management are also implementing a number of additional strategies in order to potentially raise capital or reduce costs should the need arise.

As a result the Directors believe the company 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

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

Earnings per share
Earnings per share deteriorated in line with the losses generated by the business for the 12 months ended June 30, 2005.

Returns to shareholders
As per earnings per share commentary.

Significant features of operating performance
Comments already noted.

Results of segments

Primary Segments:

All parts of the business declined as a consequence of the issues associated with sales and marketing.

The sleep diagnostics business grew in the USA as already noted, although not at historical rates of growth. This growth in the USA was offset by sales declines in both Europe and Asia as a result of the sales and management issues there. In addition our distribution agreement with Dräger Medical ended July 31, 2005 and as a consequence the business has employed a sales and marketing manger for the European business to re-build the distribution channels there. Compumedics is also suing Dräger Medical for failure to perform under the distribution contract as specific breaches of the contract.

The Brain Research (Neuroscan) business declined in the USA as a consequence of reduced funding for such activities in light of the commitments to the Iraq war. Sales in Asia Pacific and Europe however improved as funding issues do not exist in these markets. In particular China has seen significant growth with over 100 installation of Synamp2 now booked into the Chinese market.

The Neurosciences business comprising clinical EEG and DWL is an area of significant investment for the company, with clinical EEG being a much larger market opportunity for the business in the long term. This area also reflects the acquisition of the DWL business and the costs involved with the acquisition incurred in the year.

Trends in performance

As stated in the updated guidance to market on July 22, 2005 the company expects that it will build on its 2005 performance during 2006 delivering revenues of at least $44 million. The company announced during the fourth quarter of last financial year the initiatives being taken to strengthen the sales and marketing teams in the US and Europe with appointments of high performance executives. The business has also strengthened its Asia Pacific sales and marketing resources as well during late June and July 2005.

These appointments would indicate that the company is likely to be able to continue to achieve the high revenue growth rates secured over the last 3 years. Also, given other initiatives including cost reduction and further efficiency gains, the company expects to operate profitably for 2006.

The company, however, wishes to assess the magnitude of success of these measures as the year progresses and will announce to the market any material change to the above expectations as appropriate.

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.