

COMPUMEDICS LIMITED

(ACN 006 854 897)

ASX final report – 30 June 2013

Lodged with the ASX under Listing Rule 4.3A

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Compumedics Limited
Financial Report
Year ended 30 June 2013
Results for Announcement to the Market

				\$'000
Revenue from ordinary activities <i>(Appendix 4E item 2.1)</i>	Decreased	3%	to	27,150
Profits before interest, tax, depreciation and amortisation	Increased	449%	to	342
Loss from ordinary activities after tax attributable to members <i>(Appendix 4E item 2.2)</i>	Decreased	47%	to	(1,489)
Loss for the period attributable to members <i>(Appendix 4E item 2.3)</i>	Decreased	47%	to	(1,489)

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

n/a

(Appendix 4E item 2.5)

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

Group revenues at \$27.2m for the year ended 30 June 2013 were 3% lower than the prior year. The decline in revenues was solely attributable to the Company not being able to ship all the sales-orders it had on hand by 30th June 2013. The Company finished the year with sales-orders on-hand of approximately \$7.2m compared to a \$6.4m backlog at the same time last year.

With the completion of specific refinancing milestones, as announced to the Australian Stock Exchange over June and July of this year, the Company anticipates shipping approximately \$5.0m of the backlog of sales-orders through the end of the first quarter of FY2014. In addition, the Company anticipates being in a position to ship new sales-orders received in a more timely fashion as we move through the first half of FY2014. As a consequence of both of these outcomes the Company expects to return to profitability in the first half of FY2014.

The restricted working capital environment the Company dealt with for most of FY2013 impacted both sales-orders taken during the financial year as well as shipment of sales-orders received. With those issues resolved the Company expects to resume growth across all parts of the Company.

Having said that, invoiced sales were higher, compared to the prior year, in Asia (including China), Germany, rest of Europe and the Middle East with growth of 51%, 100%, 60% and 83% respectively.

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Shipments in Australia were consistent with the prior year, whilst sales shipped in the US were approximately 17% lower than the prior year and shipments from Germany (DWL) were approximately 10% below the prior year.

Shipments from Germany (DWL) were primarily impacted by delays with shipping the new MultiDop digital box, sales of which are now progressing and will ramp up further in the first half of FY2014.

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

EBITDA returned to a positive result for the year at \$0.3m compared to the prior year EBITDA result of \$(0.1)m. This primarily reflects improvements in margins on the shipments achieved by the Company (50.9% compared to 49.5% for the prior year) and on-going expense management, including lower financing charges.

The EBITDA result attributable to margin improvement for the business reflects the initial outcomes of the cost savings and productivity improvements indicated to market previously, particularly as it relates to the manufacturing activities of the Company.

The Company has and continues to move through a systematic review of its manufacturing and purchasing operations in Australia and has moved a substantive amount of its component purchasing to Asia and is currently in the process of selectively transitioning some of its actual manufacturing processes to Asia. These on-going activities will continue to have a positive impact on profitability during FY2014.

During the year ended 30 June 2013 the Company did not capitalise any further development costs associated with its SomniLink® SPAP® sleep-treatment technology. The intangible asset carrying value at 30 June 2013 was \$3.1m. As the Company has continued to ship small commercial quantities of the SomniLink® SPAP® the Company has continued to amortise the intangible asset during the 2013 financial year, booking a \$0.8m charge in the financial year.

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

Losses from ordinary activities after tax at \$1.5m for the year ended 30 June 2013 were a significant \$1.3m improvement from the \$2.8m loss recorded for the prior year.

The Company booked financing charges of \$0.4m and depreciation and amortisation of \$1.3m for the year ended 30th June 2013.

The Company also booked a \$0.2m tax expense related to its German subsidiary.

Apart from these charges the above explanation for the EBITDA result for the year ended 30th June 2013 reflects the underlying operational impacts on earnings 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 statement of comprehensive income
for the year ended 30 June 2013

	2013	2012
	\$'000	\$'000
Revenue from continuing operations	27,150	27,915
Other income	781	586
Cost of sales	(13,330)	(14,096)
Administration	(4,635)	(4,426)
Sales & Marketing	(6,572)	(6,631)
Research & Development	(4,421)	(4,635)
Finance costs	(414)	(515)
Net foreign exchange gain	159	15
Loss before income tax	(1,282)	(1,787)
Income tax expense	(207)	(1,042)
Loss for the full year	(1,489)	(2,829)
Loss attributable to members of Compumedics Limited	(1,489)	(2,829)
Net loss for the period	(1,489)	(2,829)
Other comprehensive income / (loss)		
Items that may be subsequently reclassified to Profit or Loss when specific conditions are met:		
Foreign currency translation	392	(711)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(1,097)	(3,540)
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents):		
Basic earnings per share	(0.01)	(0.01)
Diluted earnings per share	(0.01)	(0.01)

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

Compumedics Limited
Consolidated statement of financial position
as at 30 June 2013

	2013 \$'000	2012 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	1,292	1,099
Receivables	8,105	8,701
Inventories	5,498	5,289
Total current assets	14,895	15,089
Non current assets		
Property, plant and equipment	753	755
Intangible assets	3,454	4,031
Non current assets	4,207	4,786
Total assets	19,102	19,875
LIABILITIES		
Current liabilities		
Payables	4,600	4,909
Borrowings	2,339	1,989
Provisions	2,139	2,031
Income tax payable	182	186
Deferred revenue	1,321	1,292
Total current liabilities	10,581	10,407
Non-current liabilities		
Borrowings	-	93
Provisions	27	34
Deferred revenues	126	126
Total non-current liabilities	153	253
Total liabilities	10,734	10,660
Net assets	8,368	9,215
EQUITY		
Contributed equity	31,269	31,019
Reserves	(580)	(972)
Retained losses	(22,321)	(20,832)
Total equity	8,368	9,215

The above consolidated statement of financial position 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 2013

	Contributed equity \$,000	Reserves \$,000	Retained Earnings \$,000	Total \$,000
Balance at 1 July 2011	31,019	(261)	(18,003)	12,755
Loss for the period	-	-	(2,829)	(2,829)
Other comprehensive loss	-	(711)	-	(711)
Total comprehensive loss for the year	-	(711)	(2,829)	(3,540)
Transactions with owners in their capacity as owners:				
New shares issued	-	-	-	-
Balance at 30 June 2012	31,019	(972)	(20,832)	9,215
Balance at 1 July 2012	31,019	(972)	(20,832)	9,215
Loss for the period	-	-	(1,489)	(1,489)
Other comprehensive income	-	392	-	392
Total comprehensive income/(loss) for the year	-	392	(1,489)	(1,097)
Transactions with owners in their capacity as owners:				
New shares issued	250	-	-	250
Balance at 30 June 2013	31,269	(580)	(22,321)	8,368

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

Compumedics Limited
Consolidated statement of cash-flows
for the year ended 30 June 2013

	2013	2012
	\$'000	\$'000
Cash flow from operating activities		
Receipts from customers (inclusive of goods and services tax)	28,185	29,527
Payments to suppliers and employees (inclusive of goods and services tax)	(27,969)	(28,222)
Interest and other costs of finance paid	(414)	(515)
Income tax paid	(207)	-
Receipts from grants and other income	781	586
Net cash inflow from operating activities	376	1,376
Cash flows from investing activities		
Payments for property, plant and equipment	(289)	(82)
Payments for intangible assets	(300)	(441)
Net cash outflow from investing activities	(589)	(523)
Cash Flows from financial activities		
Proceeds from borrowings	2,085	-
Repayment of borrowings	(1,997)	(1,067)
Proceeds from equity	250	-
Net cash inflow/(outflow) from financing activities	338	(1,067)
Net increase/(decrease) in cash and cash equivalents	125	(214)
Cash and cash equivalents at the beginning of the year	(296)	(80)
Effects of exchange rate changes on cash	91	(2)
Cash and cash equivalents at the end of the financial year	(80)	(296)
This is represented by:		
Cash Assets	1,292	1,099
BIBBY invoice facility (Interest bearing liabilities)	(1,372)	(1,395)
Net Cash	(80)	(296)

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 2013

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 preliminary consolidated 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 2013 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 2013 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.

Bank Facilities and other funding activities

In February 2013 the Company refinanced the business, with an invoice financing facility provided by BIBBY Financial Services (Aust) Pty Ltd (BIBBY).

Compumedics Limited
Notes to the consolidated financial statements
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(a) Basis of preparation of consolidated financial report (cont'd)

The facility limit is \$2.5m and at settlement \$1.2m was drawn down to repay loans owing to Bankwest at that time. The ability to fully utilise the \$2.5m facility limit is dependent on the acceptance by BIBBY of invoices raised by the Company at any given point in time.

In addition to the facility provided by BIBBY the Company also successfully concluded a small number of short-term loans provided by shareholders of the Company to facilitate shipment of the backlog of sales orders. These short terms loans amount to \$0.45m. The Company also concluded an equity placement of \$0.25m in May and BIBBY provided a further short term financing facility of \$0.4m in June 2013. These funds combined have enabled the Company to fund a significant lift in manufacturing, the result of which will be the shipment of at least \$5.0m of sales-orders currently on-hand from September 2013 onwards.

Note 2. Operating segment

Identification of reportable segments

The Group has identified its operating segments based on the internal reports, which are produced by geographical segment and are reviewed and used by the chief operating decision maker in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the country of origin and the senior managers who are responsible for the performance of the business in that geographic territory, the type of product and service provided and whether the product is sold directly to end-user customers or via distributors.

The reportable segments are based on the product lines sold in that particular geographic territory as these are the sources of the Group's major risks and have the most effect on rates of return.

Geographic locations

America's

The Group's America's based business includes the United States, Canada and Latin America. The Group sells all of its product offerings in this region including sleep diagnostic systems, clinical EEG systems, brain monitoring systems, ultra sonic blood-flow systems, supplies and technical service and support. The US business also includes that sleep diagnostic services business. Sales in the America's are predominantly direct sales to end-user customers. The US office is based in Charlotte, North Carolina

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2013

Note 2. Operating segment (continued)

Australia and Asia Pacific

The Group's head office is based in Melbourne, Australia and the Australia and Asia Pacific territory includes all countries in the Asia Pacific region with major countries for the territory including Japan and China. The Group sells all of its product offerings in this region including sleep diagnostic systems, clinical EEG systems, brain monitoring systems, ultra sonic blood-flow systems, supplies and technical service and support. The group sells directly to end-user customers in Australia and via a network of distributors into the Asian region.

Europe and the Middle East

The Group's Europe-based business has its principle office in Singen, Germany with a second office in Hamburg, Germany. The Europe based territory includes all countries in the European region, plus all Middle Eastern countries. The Group sells all of its product offerings in this region including sleep diagnostic systems, clinical EEG systems, brain monitoring systems, ultra sonic blood-flow systems, supplies and technical service and support. The Group sells its ultra-sonic blood-flow systems directly in Germany and all other products are sold via a network of distributors across the territory.

The following table represents revenue and profit information for reportable segments for the years ended 30 June 2013 and 30 June 2012.

Operating Segment
For the year ended 30 June 2013

\$'000	USA	Australia and Asia Pacific	Europe	Group
Sales to external customers	7,774	11,087	8,289	27,150
Intersegment other revenues	-	77	1,594	1,671
Intersegment sales	915	1,533	184	2,632
Total segment revenue	8,689	12,697	10,067	31,453
Inter-segment elimination	(915)	(1,610)	(1,778)	(4,303)
Total revenue per the Statement of Comprehensive Income	7,774	11,087	8,289	27,150
Segment result	(2,255)	888	928	(439)
Depreciation and amortisation				(1,210)
Finance cost				(414)
Other income				781
Net loss before income tax per the Statement of Comprehensive Income				(1,282)
Segment assets				
Operating assets	2,898	28,119	4,981	35,998
Intersegment eliminations	(35)	(16,831)	(30)	(16,896)
Total assets from continuing operations per the Statement of Financial Position	2,863	11,288	4,951	19,102

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2013

Note 2. Operating segment (continued)

Operating Segment
For the year ended 30 June 2012

\$'000	USA	Australia and Asia Pacific	Europe	Group
Sales to external customers	9,920	10,279	7,716	27,915
Other revenues	-	79	1,196	1,275
Intersegment sales	876	1,516	246	2,638
Total segment revenue	10,796	11,874	9,158	31,828
Inter-segment elimination	(876)	(1,595)	(1,442)	(3,913)
Total revenue per the Statement of Comprehensive Income	9,920	10,279	7,716	27,915
Segment result	(1,673)	1,623	(692)	(742)
Depreciation and amortisation				(1,116)
Finance costs				(515)
Other income				586
Net loss before income tax per the Statement of Comprehensive Income				(1,787)
Segment assets				
Operating assets	3,115	27,329	4,740	35,184
Intersegment eliminations	(18)	(15,239)	(52)	(15,309)
Total assets from continuing operations per the Statement of Financial Position	3,097	12,090	4,688	19,875

Compumedics Limited
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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 2013

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

	2013 \$'000	2012 \$'000
Loss for the year	(1,489)	(2,829)
Depreciation & amortisation	1,210	1,117
Deferred tax asset	-	928
Net exchange differences	451	(667)
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
Decrease in receivables	596	1,400
(Increase) Decrease in inventories	(209)	444
(Decrease) Increase in payables	(309)	398
Increase in deferred revenues	29	514
(Decrease) Increase in tax provisions	(4)	104
(Decrease) Increase in other provisions	101	(33)
Net cash inflow from operating activities	376	1,376

Compumedics Limited
Supplementary Appendix 4E information
for the year ended 30 June 2013

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

	2013	2012
Net tangible asset backing per ordinary share	2.9 cents	3.9 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 have declined with the underlying decline in earnings for the Company, as already discussed.

Returns to shareholders

As per earnings per share commentary.

Significant features of operating performance

Comments already noted.

Compumedics Limited
Supplementary Appendix 4E information
for the year ended 30 June 2013

Results of segments

Primary Segments:

The primary business sectors reflect the main geographical markets the business operates in. As already discussed the US, Asian and European, excluding German sleep diagnostics, business have grown, offset by declines in Japan and Germany and to a lesser extent Australia.

Trends in performance

The primary focus of the Company will be to clear the existing backlog of sales-orders on-hand and concurrently ensure the sales-order momentum evident in the financial year to 30th June 2013 is not only maintained but built upon to return the Company to positive and then growing earnings.

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.