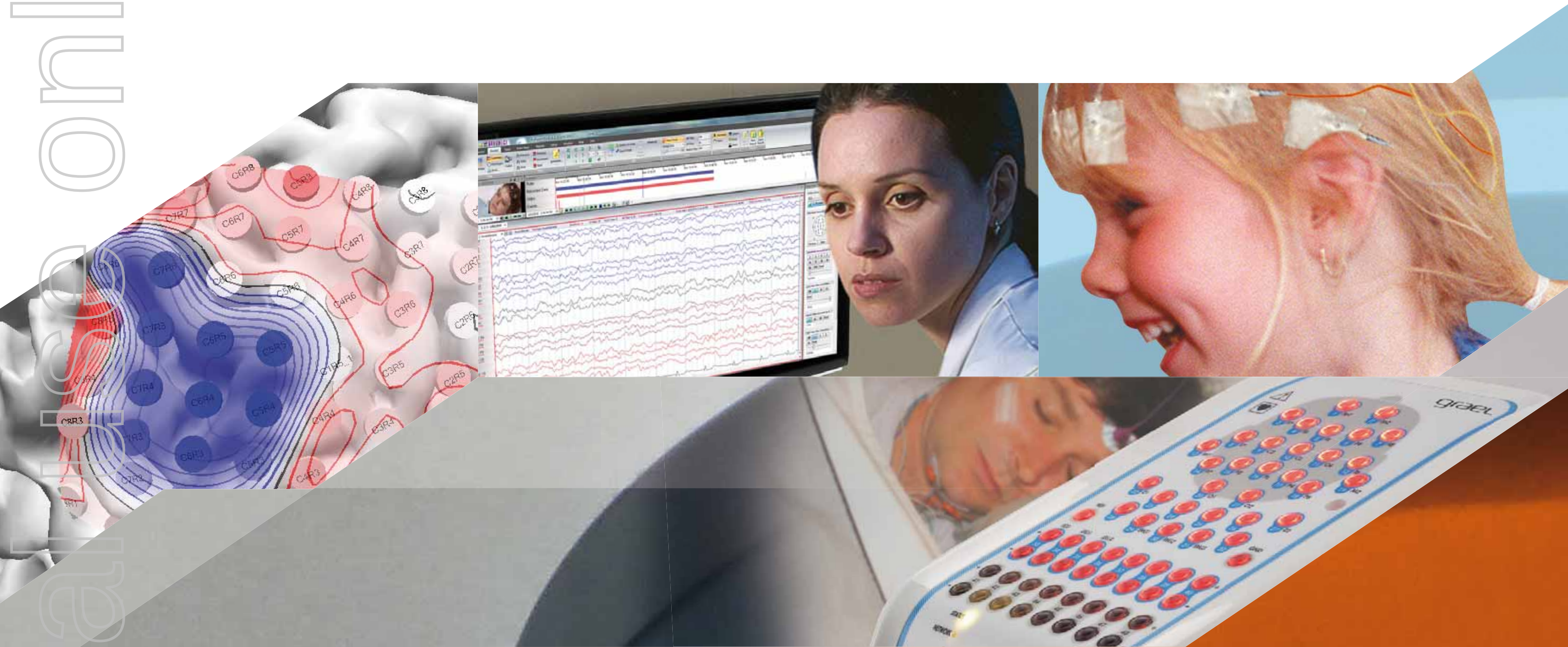
COMPUMEDICS®

2013



Annual Report

Financial Statements 2013

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25 Silver Jubilee

25 YEARS OF DIAGNOSTICS EXCELLENCE

Annual Financial Statements

for the year ended 30 June 2013

Contents

Corporate Information

This annual report covers Compumedics Limited as a consolidated entity comprising Compumedics Limited and its subsidiaries. The Group's functional and presentation currency is AUD ($).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on pages 2 to 14. The directors' report is not part of the financial report.

Directors	Dr. David Burton Dr. Graham Mitchell Mr. Alan Anderson
Secretary	Mr. David Lawson
Executive team	**Executive Chairman, CEO** David Burton **Chief Financial Officer** David Lawson **Chief Technology Officer** Warwick Freeman **Legal Counsel & Patent Attorney** Kerry Hubick **General Managing Director DWL Compumedics Germany GmbH** Christoph Witte **Vice President, Chief Scientist, Neuroscan** Curtis Ponton
Notice of annual general meeting	The annual general meeting of Compumedics Limited **will be held at** Compumedics Limited, 30-40 Flockhart Street, Abbotsford VIC 3067 **time** 10.30am **date** Thursday 31 October 2013
Principal registered office in Australia	30–40 Flockhart Street Abbotsford VIC 3067 Telephone: (03) 8420 7300
Share registers	Link Market Services Limited Level 4 333 Collins Street Melbourne VIC 3000 Phone: 1300 554 474
Auditor	Ernst & Young 8 Exhibition Street Melbourne VIC 3000
Stock exchange listings	Compumedics Limited shares are listed on the Australian Stock Exchange. Compumedics' ASX code is CMP.
Website address	www.compumedics.com

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Compumedics Limited and the entities it controlled at the end of, or during, the year ended 30 June 2013.

The following persons were directors of Compumedics Limited during the whole of the financial year and up to the date of this report:

Dr. David Burton
Dr. Graham Mitchell
Mr. Alan Anderson

Principal activities

During the year the principal continuing activities of the Group were the research, development, manufacture and distribution of medical equipment. There have been no significant changes in the operation of the Group during the year.

Dividends - Compumedics Limited

The directors have not declared a dividend in the current financial year (2012: nil).

Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects and a summary of consolidated revenue and results by operating segments are set out below:

	Total Revenue		Segment Results	
	2013 $000	**2012 $000**	**2013 $000**	**2012 $000**
USA	7,774	9,920	(2,255)	(1,673)
Australia and Asia Pacific	11,087	10,279	888	1,623
Europe	8,289	7,716	928	(692)
Total continuing operations	**27,150**	**27,915**	**(439)**	**(742)**
Depreciation and amortisation			(1,210)	(1,116)
Finance costs			(414)	(515)
Other income			781	586
Profit before income tax expense			(1,282)	(1,787)
Income tax expense			(207)	(1,042)
Loss for the year			**(1,489)**	**(2,829)**

Comments on the operations and the results of those operations are set out below:

A number of key milestones and initiatives were successfully achieved during the year including the finalization of a refinancing program, ongoing strengthening of our global sales force, continued structural reforms as we transition our operations to counter the persistent impact of the high Australian dollar, and a number of Medical Innovation commercialization and partnering initiatives, as outlined in the following sections.

FINANCE

The Company finalised its major refinancing milestones in early June 2013 after several delays. Importantly, the Company reduced its loss after tax for the year ended 30 June 2013 to $1.5m from $2.8m in the prior year. This was despite shipping only $27.2m of the $34.5m of sales orders it potentially could have shipped. The limited shipments for the year were the direct result of the financing milestones only being completed in June 2013.

As a consequence, the Company was holding record sales-orders on-hand of approximately $7.3m and expects to ship the majority of these sales orders in the first half of FY2014. With shipments of new sales orders expected to be taken in the first half of FY2014 profitability should be restored in FY2014.

At the date of this report the Company has made significant progress towards manufacture of the items necessary to clear the backlog of sales orders but has only begun to ship those sales back-orders and as a result the Directors view the continuing viability of the Company requires:

1 The Company to ship substantially all the sales back-orders by 30th November 2013

2 Utilise the cash from these shipments to manufacture further product for new sales orders received and to increase the level of funding available in the business.

3 Achieve its budget for the 2013/14 financial year, which includes shipping at least $5.5m of the $7.2m of sales orders carried forward at 30th June 2013

Based on the advanced status of the activities noted as all the main markets for the products the Company sells into have not significantly changed in the last twelve months, the Directors are confident the Company will be successful in achieving these objectives as detailed in Note 1 to the Accounts and as emphasised in the Audit Opinion.

OPERATIONS

Despite the impact of the persistently high Australian dollar and on-going challenging market conditions, particularly in the USA and to a lesser extent Europe, Compumedics maintained its research and development (R&D) investment at 16%, or more than twice the industry standard. Consequently, the Company has retained its technological leadership, with a strong pipeline of new and exciting upcoming product releases and upgrades.

In order to enable the Company to operate profitably with a persistently high Australian dollar the Company has invested in a number of structural reforms designed to restore and then ensure continued growth in profits. These structural reforms include retooling and relocation of select manufacturing functions to more competitive manufacturing regions, such as Taiwan and other parts of Asia. The Company has also commenced designing a range of more competitive neurology and sleep products, incorporating premium performance but enabling the Company to access a larger portion of the global market through reduced cost of manufacture.

While these structural transforms have demanded significant investment in the short term, in terms of personnel, engineering and components, they will result in substantial savings and elevated shareholder returns in the medium terms through improved margins.

STRENGTHENED SALES AND MARKETING

The Group achieved the following geographical outcomes.

(a) USA
Total US revenues were USD8.0m (AUD7.8m) for the year ended 30 June 2013 compared to USD10.2m (AUD9.9m) for the prior year. The decreased sales revenue in the US reflects the restricted working capital environment in which the Company traded through most of the financial year. The result does not fully reflect the on-going flow of sales orders taken in the US, but which did not ship by 30th June 2013.

(b) Asia Pacific
Australian and Asia Pacific revenues for the year ended 30 June 2013 were $11.1m compared to $10.3m for the prior year. Revenues in this region were primarily impacted by the inability to ship all orders received by 30th June 2013. The Australian, Chinese and other Asian countries performed well for the year ended 30th June 2013.

(c) Europe
European revenues for the year ended 30 June 2013 were better than the prior year as the Germany-based DWL business was able to ship all sales orders it received in a timely manner.

As previously noted, Compumedics has entered the Long-Term Epilepsy Monitoring (LTEM) market, a new and incremental market, with the launch of its innovative LTEM product, Neuvo®. This takes Compumedics into a pre-existing, but new market for the Company, which has estimated current annual sales of about US$200m in the US and approximately US$400m globally. Compumedics is well positioned to capture a 5% share of this global market over the next few years. Compumedics has achieved approximately $4m in annual incremental revenues from this market over the last two years and will look to expand this through to the initial target of a 5% global market share.

In the Company's core sleep diagnostic business, Compumedics has the most sophisticated and advanced range of portable sleep-monitoring systems of any of the companies competing in these markets. The

Company continues to be recognised as a leading sleep diagnostic company world-wide and as such global sleep diagnostic markets continue to offer opportunities for growth, particularly in Asia Pacific and specifically China.

The Company will continue its development of the sleep-treatment market with its partner in Italy over the next twelve months and concurrently ramp up its commercialisation opportunities in Australia and Asia.

BREAKOUT MEDICAL INNOVATIONS

Compumedics Medical Innovation (CMI) division has continued to develop a number of breakout technology platforms. Each of these CMI platforms incorporates a folio of patents, compliments Compumedics' core business, presents unique and significant product differentiation, and has been independently validated, as outlined in the subsequent sections.

SUMMARY

Despite the challenges, the Company has stayed the course and continued to execute upon its strategy, to produce the best of class high quality, innovative, medical products and expand our business through a focus on sales and marketing and a strong R&D investment. Additionally key initiatives such as our structural reforms and medical innovations are now gaining traction, as we continue to focus on strengthening our Company and building shareholder values.

This is a great Company and we remain confident the operational initiatives currently being undertaken will restore profitability in the short-term, allowing our very positive prospects for the medium and long-term to be realised. The demand for innovative healthcare solutions continues to be underpinned by an ever-increasing ageing population, coupled with the growing incidence and awareness of neurology and sleep disorders.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The focus for the Group will be on continuing the profitable growth of the Group, to further capitalise on the larger and growing customer base of the Group.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included as the main drivers for these matters being market conditions and external factors, such as movements in foreign exchange rates, are not readily predictable in the current economic climate.

Significant Changes in State of Affairs

There have been no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

The Directors are not aware of any matters subsequent to the end of the financial year that would have a material impact on the financial performance of the Group.

Environmental Regulation

The Group is not subject to significant environmental regulation in respect of its activities.

Information on directors

Dr. David Burton Chairman and Chief Executive Officer, Age 54.

Experience and expertise
Founder and major shareholder through related entity. He was awarded an Associate Diploma in Engineering (Electronics) by the Royal Melbourne Institute of Technology and a Ph.D. (Eng. Sc.) by Monash University, Melbourne (Australia). Dr. Burton's engineering background includes the design and project management of the Compumedics' first sleep laboratory and portable sleep systems. Dr. Burton has authored fifteen patents or patent applications that form part of Compumedics' key intellectual property. Extensive experience in the development, design, manufacture and sale of medical devices and the development of the business.

Other current directorships
D & DJ Burton Holdings Pty Ltd
Intellirad Pty Ltd
Electro Molecular Pty Ltd

Former directorships in last 3 years
None

Special responsibilities
Chairman of the Board
Member of Remuneration Committee
Member of Audit Committee

Interests in shares and options through related entities
100,822,097 ordinary shares in Compumedics Limited
Nil options over ordinary shares in Compumedics Limited

Dr. Graham Mitchell AO Independent Non-Executive Director, Age 72.

Experience and expertise
Substantial scientific and academic qualifications coupled with significant directorship experience.

Other current directorships
Antisense Therapeutics Ltd
Avipep Pty Ltd

Former directorships in last 3 years
Geoffrey Gardner Dairy Foundation
AgVic Services Pty Ltd
Adelaide Research and Innovation Pty Ltd
NexVet Pty Ltd

Special responsibilities
Member of the Remuneration Committee

Interests in shares and options
None

Alan Anderson Non-Executive Director, Age 57.

Experience and expertise
Extensive legal experience, particularly in intellectual property litigation, in both defence and offence.

Other current directorships
None

Former directorships in last 3 years
None

Special responsibilities
Chairman of the Remuneration Committee
Chairman of the Audit Committee

Interests in shares and options
89,665 ordinary shares in Compumedics Limited

Company secretary

The company secretary is Mr. D. F. Lawson, Chartered Accountant. Mr. Lawson was appointed to the position of Company Secretary in 2000. Before joining Compumedics Limited he held various financial positions with another listed public company for 8 years. Mr. Lawson has a Bachelor of Commerce from Melbourne University and is a Member of the Institute of Chartered Accountants in Australia.

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2013, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees Audit		Remuneration	
	A	B	A	B	A	B
Mr. David Burton	11	11	2	2	1	1
Dr. Graham Mitchell	11	11	-	-	1	1
Mr. Alan Anderson	11	11	2	2	1	1

A – Number of meetings attended
B – Number of meetings held during the time the director held office or was a member of the committee during the year

Remuneration report (audited)

The remuneration report is set out under the following main headings:
A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

A Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of rewards. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation. The Board is satisfied remuneration recommendations are made free from undue influence by the members of the key management personnel.
Alignment to shareholders' interests:
- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price,
- delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to program participants' interests:
- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The Board has established a remuneration committee, which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on the role of this committee.

A Principles used to determine the nature and amount of remuneration (continued)

Non-executive directors

Fees and payments to non-executive directors reflect the demands, which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Non-executive directors do not receive share options.

Directors' fees
The current base remuneration was last reviewed with effect from 1 July 2007. The Chairman's remuneration is inclusive of committee fees while other non-executive directors who chair a committee receive additional yearly fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $250,000 total pool per annum.

The following fees have been applied:

	From 1 July 2012 to 30 June 2013 $	From 1 July 2011 to 30 June 2012 $
Base fees		
Chairman	50,000	50,000
Other non-executive directors	30,000	30,000
Additional Fees		
Audit committee – chairman	2,500	2,500
Remuneration committee – chairman	5,000	5,000
Remuneration committee – member	2,500	2,500

Executive pay

The executive pay and reward framework has 5 components:
- Base pay and benefits
- Short-term performance incentives
- Long-term incentives through participation in the Compumedics Limited Employee Option Plan
- Other remuneration such as superannuation, and
- Long-term equity linked incentive program specifically for the head of the Medical Innovations Division.

The combination of these comprises the executive's total remuneration.

Base pay
Structured as a total employment cost package, which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There is no guaranteed base pay increases included in any executives' contracts.

Benefits
Executives may receive benefits including health insurance, car allowances, other expense reimbursements and tax advisory services.

Superannuation
Retirement benefits are currently limited to the statutory rate of superannuation, but are not capped based on salary. Executives may elect to make further salary sacrifice additions to superannuation funds of their choice, up to the allowable limits prescribed.

A Principles used to determine the nature and amount of remuneration (continued)

Short-term incentives
Should the Group achieve a pre-determined profit target set by the remuneration committee a pool of short-term incentive (STI) is available to executives during the annual review. Using a profit target ensures variable award is only available when value has been created for shareholders and when profit is consistent with the business plan. The incentive pool is leveraged for performance above the threshold to provide an incentive for executive out-performance.

Each executive has a target STI opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance. The maximum target bonus opportunity can be up to 60% of base pay, as determined by the remuneration committee each year.

Each year, the remuneration committee considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the year ended 30 June 2013, the KPIs linked to short-term incentive plans were based on Group, individual business and personal objectives. The KPIs required performance in reducing operating costs and achieving specific targets in relation to revenue growth and profitability as well as other key, strategic non-financial measures linked to drivers of performance in future reporting periods. KPIs are set according to the individual responsibilities of each member of the executive team.

Each year the remuneration committee considers the appropriate targets and key performance indicators (KPI's) to link the Short Term Incentive (STI) plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan and minimum levels of performance to trigger payment of STI.

The short-term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the remuneration committee.

The STI target payment is assessed by the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) following the end of each financial year and any payments due are recommended to the remuneration committee for authorisation. The CEO and CFO recommend STI targets for the following year for key executives, which are put to the remuneration committee for review and authorisation annually.

Long-term incentives
The Company has instigated a long-term incentive program for one executive. At 30 June 2013 no other long-term incentive plans were in place for any other Director or key management personnel. Any instigation of a long-term incentive program for any other executive of the Company will be determined by and authorised by the remuneration committee and the remuneration committee will assess subsequent performance.

<u>Medical Innovation Long Term Performance Plan (MI-LTPP)</u>
The Group has formalised and gained approval at the 2005 annual general meeting for the MI-LTPP for the head of the Medical Innovations Division ("Division Head"), who is currently the Executive Chairman. The rationale of the MI-LTPP is to reward the Division Head where future commercial projects are met on the following criteria:

1. The future commercial project is based on innovative, novel and patentable technology;
2. The patented technology is supplementary to, but consistent with, the ongoing businesses of Compumedics Limited; and
3. There is significant risk attached to the development of the intellectual property or technology and the commercialisation thereof.

On the basis that these 3 criteria exist, and, determined by the Remuneration Committee, a commercial project will be eligible for inclusion under the MI-LTPP. At 30 June 2013 the Remuneration Committee has approved several projects that are eligible under the MI-LTPP subject to the parameters discussed below.

The parameters of the MI-LTPP include that the Division Head will be entitled to an incremental 8% equity in any subsidiary entities of the Company that develop projects that meet all of criteria 1 to 3. The 8% equity will only deliver value to the Divisional Head where value is created for the whole company, in which case the Company receives 92% of the incremental value created.

A Principles used to determine the nature and amount of remuneration (continued

The entitlement will be calculated after repayment of any initial costs of establishment or development costs outlaid by Compumedics. The Directors have sought and gained expert advice that the entitlements under the plan form part of remuneration for the purposes of accounting standards and are fair and reasonable, having regard to relevant circumstances.

There has been no equity awarded under the MI-LTPP to the Division Head during the year ended 30 June 2013.

Compumedics Employee Option Plan
Information on the Compumedics Option Plan is set out in section D and note 28 to the Financial Statements.

B Details of remuneration

Amounts of remuneration
Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Compumedics Group are set out in the following tables.

The key management personnel of the Group are the directors of Compumedics Limited (see pages 4 to 5 above) and those executives that report directly to the Chief Executive Officer being:

- David Lawson, Chief Financial Officer and Company Secretary
- Warwick Freeman, Chief Technology Officer
- Kerry Hubick, Chief Legal Officer
- Christoph Witte, Managing Director – Compumedics Germany GmbH

Remuneration of key management personnel and other executives of the Group

2013	**Short-term benefits**			**Post-employment benefits**		**Long term benefits**	**Share based payments**	
Name	**Cash salary and fees $**	**Cash bonus $**	**Non monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Long service leave $**	**Options $**	**Total $**
Non-executive directors								
Alan Anderson	40,000	-	-	-	-	-	-	40,000
Graham Mitchell	30,023	-	-	2,477	-	-	-	32,500
Sub-total non-executive directors	**70,023**	**-**	**-**	**2,477**	**-**	**-**	**-**	**72,500**
Executive Chairman								
David Burton	50,000	-	-	-	-	-	-	50,000
Executive Director & CEO								
David Burton	150,000	-	-	-	-	-	-	150,000
Other key management personnel								
David Lawson	222,871	25,000	-	20,058	-	4,259	-	272,188
Warwick Freeman	222,871	-	-	20,058	-	4,259	-	247,188
Kerry Hubick	174,840	-	-	15,735	-	3,247	-	193,822
Christoph Witte	209,062	42,700	-	18,880	-	-	-	270,642
Total key management personnel Compensation	**1,099,667**	**67,700**	**-**	**77,208**	**-**	**11,765**	**-**	**1,256,340**

Note: J Kuznia is no longer a key manager as he has changed roles during the year. R Daspit is also no longer a key manager as his primary role is sales management in the US. Both J Kuznia and R Daspit ceased to be key management personnel from the 1st July 2012.

B Details of remuneration (continued)

2012	Short-term benefits			Post-employment benefits		Long term benefits	Share based payments	
Name	**Cash salary and fees $**	**Cash bonus $**	**Non monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Long service leave $**	**Options $**	**Total $**
Non-executive directors								
Alan Anderson	40,000	-	-	-	-	-	-	40,000
Graham Mitchell	30,023	-	-	2,477	-	-	-	32,500
Sub-total non-executive directors	**70,023**	**-**	**-**	**2,477**	**-**	**-**	**-**	**72,500**
Executive Chairman								
David Burton	50,000	-	-	-	-	-	-	50,000
Executive Director & CEO								
David Burton	150,000	-	-	-	-	-	-	150,000
Other key management personnel								
David Lawson	222,871	-	-	20,058	-	4,259	-	247,188
Warwick Freeman	222,871	-	-	20,058	-	4,259	-	247,188
Kerry Hubick	174,840	-	-	15,735	-	7,793	-	198,368
Jeff Kuznia	187,450	-	-	-	-	-	-	187,450
Robert Daspit	165,264	-	-	-	-	-	-	165,264
Christoph Witte	195,691	22,971	10,982	19,268	-	-	-	248,912
Total key management personnel Compensation	**1,439,010**	**22,971**	**10,982**	**77,596**	**-**	**16,311**	**-**	**1,566,870**

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	**Fixed Remuneration**		**At risk – STI**		**At risk - LTI**	
	2013 %	**2012 %**	**2013 %**	**2012 %**	**2013 %**	**2012 %**
Directors of Compumedics Limited						
David Burton	100	100	-	-	-	-
Dr. Graham Mitchell	100	100	-	-	-	-
Alan Anderson	100	100	-	-	-	-
Other key management personnel of Compumedics Limited						
David Lawson	91	100	9	-	-	-
Warwick Freeman	100	100	-	-	-	-
Kerry Hubicik	100	100	-	-	-	-
Other key management personnel of the Group						
Christoph Witte	84	95	16	5	-	-

The table below identifies for each cash bonus and grant of options included in the tables on pages 8 and 9, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria set. No other cash bonus targets were set for any other executive of the Company for the year ended 30 June 2013. As such no other executive was eligible for a cash bonus and as a consequence did not forfeit a cash bonus.

	Cash bonus	
Name	**Paid %**	**Forfeited %**
Christoph Witte	**100**	-
David Lawson	**100**	-

C Service agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the Chief Financial Officer and the other key management personnel are also formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses, other benefits including health insurance, car allowances and tax advisory services, and participation remuneration are set out below.

All contracts with executives may be terminated early by either party, subject to termination payments, as detailed below.

David Burton, Chief Executive Officer/Chairman
- Fee for services provided for the year ended 30 June 2013 of AUD200,000, to be reviewed annually by the remuneration committee. David Burton is also entitled to participate in the Medical Innovation Long Term, Performance Plan as approved at the 2009 Annual General Meeting.
- D & DJ Burton Holdings Pty Ltd a company associated with D. Burton receives licence fees, described in Note 29.
- Performance bonus: no performance bonus was paid during the financial year. (2012: Nil).
- Review of last salary and fees -1 July 2012
- David Burton will have a formal service agreement. The terms above are based on informal agreements.

David Lawson, Chief Financial Officer/Company Secretary
- Base salary inclusive of superannuation, for the year ended 30 June 2013 of AUD 242,929 to be reviewed annually by the remuneration committee.
- Performance bonus: a $25,000 performance bonus, granted in February 2013, was paid during the financial year. (2012: NIL)
- Review of last salary -1 July 2012
- The service agreement takes the form of a letter of offer, which incorporates Compumedics standard conditions of employment, which reflects termination notice of four weeks, amongst other basic statutory conditions.

Warwick Freeman, Chief Technology Officer
- Base salary inclusive of superannuation and car allowance, for the year ended 30 June 2013 of AUD242,929 to be reviewed annually by the remuneration committee
- Review of last salary -1 July 2012
- The service agreement takes the form of a letter of offer, which incorporates Compumedics standard conditions of employment, which reflects termination notice of four weeks, amongst other basic statutory conditions.

Kerry Hubick, Legal Counsel and Patent Attorney
- Base salary inclusive of superannuation and car allowance, for the year ended 30 June 2013 of AUD190,575, to be reviewed annually by the remuneration committee.
- Review of last salary -1 July 2012
- The service agreement takes the form of a letter of offer, which incorporates Compumedics standard conditions of employment, which reflects termination notice of four weeks, amongst other basic statutory conditions.

Christoph Witte, Managing Director, DWL
- Base salary inclusive of superannuation, for the year ended 30 June 2013 of EUR173,340, to be reviewed annually by the remuneration committee.
- Car Allowance of EUR7,760
- Performance bonus – a performance bonus, granted in September 2012, of EUR33,925 was paid during the financial year. (2012: EUR17,699)
- Review of last salary -1 July 2012
- Christoph Witte's service agreement commenced 1 September 2004 with a 2 year fixed notice period from 1 September 2005, after which the notice period reduces proportionately to six months at 1 September 2007.

D Share-based compensation

The establishment of the Compumedics Limited Employee Option Plan was approved by shareholders immediately prior to the listing of the Company in December 2000. All staff are eligible to participate in the plan. Options are typically granted under the plan for no consideration except when options are issued in lieu of a cash bonus as noted below. Options are granted for a five year period and each new tranche vests is exercisable on the following basis:

(i) 20% of each new tranche vests and is exercisable at the 1st anniversary date of the grant
(ii) 30% of each new tranche vests and is exercisable at the 2nd anniversary date of the grant
(iii) 50% of each new tranche vests and is exercisable at the 3rd anniversary date of the grant en exercisable each option is convertible into one ordinary share of the Company.

The exercise price of the options is based on the closing price at which the Company's shares are traded on the Australian Securities Exchange on the day prior to the grant.

Where options have been taken in lieu of a cash bonus the vesting period does not apply and the exercise price is 1 cent per share. The number of options issued is calculated by dividing the cash bonus available by the average share price for the 5 trading days prior to the granting of the options taken in lieu of the cash bonus.

The Company did not have any share-based payments in the full year ended 30 June 2013. Unissued ordinary shares in Compumedics Limited under option at the date of this report held by directors are Nil.

E Additional information

Loans to directors and executives

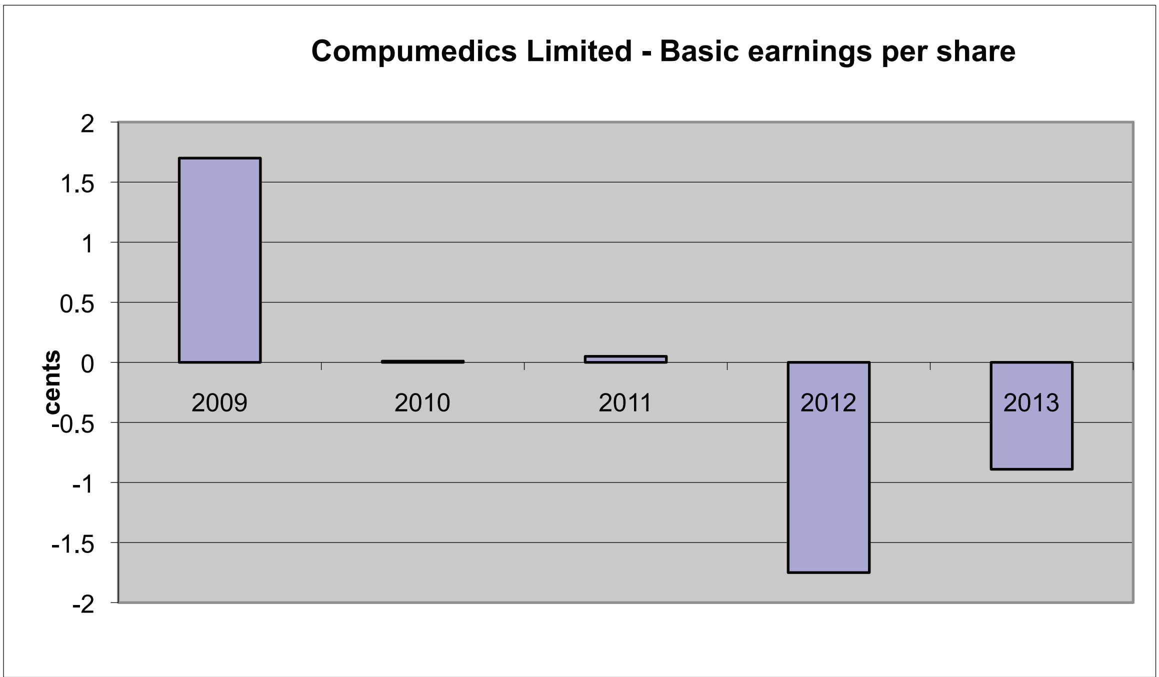
Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in notes 24 and 29 to the financial statements.

Shares under option

There were no unissued ordinary shares of Compumedics Limited under option at the date of this report. No options expired during the financial year ended 30 June 2013 (2012: NIL).

There were no new options issued during the year.

Group performance



The earnings per share performance of the Compumedics Group reflects the difficult external environment the Company has had to trade through, primarily as a result of not having refinancing activities concluded until June 2013, being very late in the financial year ended that same month. The directors remain focused on driving earnings per share higher.

End of remuneration report (audited)

Insurance of officers

During the financial year, Compumedics Limited paid premiums of $32,104 to insure the Directors and Secretary of the Company and its Australian-based controlled entities, and the Executives and other senior managers of each of the divisions of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001.*

Non-audit services

The group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (Ernst & Young) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2013	**2012**
	$	**$**
Non-audit services		
Taxation services		
Tax compliance services	55,495	38,450
Total remuneration for taxation services	**55,495**	**38,450**

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

Ernst & Young continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors.

David Burton
Director

Melbourne
30 September 2013

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com

Auditor's Independence Declaration to the Directors of Compumedics Limited

In relation to our audit of the financial report of Compumedics Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

David Petersen
Partner
30 September 2013

Corporate Governance Statement

Compumedics Limited (the company) and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the Group in this statement.

The relationship between the board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the company in both the short and the longer term and seek to balance, sometimes competing, objectives, in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day-to-day management of the Group's affairs, and the implementation of the corporate strategy and policy initiatives, are formally delegated by the board, to the Chief Executive Officer and the senior executives. These delegations are reviewed on an annual basis.

A description of the company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

The board of directors

The Board operates in accordance with the broad principles of the Board charter. The charter details the Board's composition and responsibilities.

Board composition
The charter states:

- the Board is to be comprised of both executive and non-executive directors with a majority of non-executive directors preferable where possible. Non-executive directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management
- the Board recognises the underlying principal of independent directors but believes at this point in time the current directors, despite not being independent, bring a level of skill and experience to the Board combined with an intimate knowledge of the business that might otherwise not be available to it
- the Chairman is elected by the full Board
- the company is to maintain a mix of directors on the board from different backgrounds with complementary skills and experience
- the Board is required to undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

Responsibilities
The responsibilities of the board include:

- providing strategic guidance to the company including contributing to the development of and approving the corporate strategy
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives
- overseeing and monitoring:
    - organisational performance and the achievement of the Group's strategic goals and objectives
    - compliance with the company's Code of Conduct
    - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the company's auditors
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and the Company Secretary
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the organisation
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.

Board members
Details of the members of the Board, their experience, expertise, qualifications, term of office are set out in the directors' report under the heading "Information on directors". There are two non-executive directors, one of

whom is deemed independent under the principles set out below, and two executive directors at the date of signing the director's report.

The Board seeks to ensure that:
- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective
- the size of the Board is conducive to effective discussion and efficient decision-making.

Directors' independence
The Board is in the process of adopting specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:
- not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company
- within the last three years, not have been employed in an executive capacity by the Company or any other Group member, or been a director after ceasing to hold any such employment
- within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided
- not be a material supplier or customer of the Company or any other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- must have no material contractual relationship with the Company or a controlled entity other than as a director of the Group
- not have been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the company or Group or 5% of the individual directors' net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

The Board currently acknowledges that having a combined Chairman and CEO (Executive Chairman) is not in keeping with current thinking on good corporate governance. However, considering the skills and experience of the current Executive Chairman and the needs of the Company at this point in time in its development, the Board considers the current arrangement to be in the best interest of the Company and its shareholders.

At the date of this report Dr. Graham Mitchell, a director of the company, is considered independent according to the governance provisions laid down by the Australian Securities Exchange.

Term of office
The company's Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election, subject to the following limitations:
- no non-executive director may serve more than four terms (twelve years), and
- on attaining the age of 70 years a director will retire, by agreement, at the next AGM and will not seek re election, unless requested by the board to do so.

Chairman and Chief Executive Officer (CEO)
The Chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the board's relationship with the company's senior executives.

At this point in time the same individual, Mr. David Burton, carries out these roles. Mr. Burton is also founder and the majority shareholder of Compumedics.

Commitment
The Board held 11 Board meetings.

Non-executive directors are expected to spend at least 40 days a year preparing for and attending board and committee meetings and associated activities.

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2013, and the number of meetings attended by each director is disclosed on page 6.

It is the company's practice to allow its executive directors to accept appointments outside the company with prior written approval of the Board. No appointments of this nature were accepted during the year ended 30 June 2013.

The commitments of non-executive directors are considered by the nomination committee prior to the directors' appointment to the Board of the company and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the company.

Conflict of interests

Entities connected with Mr Alan Anderson had business dealings with the consolidated entity during the year, as described in note 24 to the financial statements. In accordance with the Board charter, the directors concerned declared their interests in those dealings to the company and took no part in decisions relating to them or the preceding discussions. In addition, those directors did not receive any papers from the Group pertaining to those dealings.

Independent professional advice

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Performance assessment

The Chairman, with the participation of the Board members, undertakes a semi-annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment. The last assessment was undertaken during the period October 2012 through January 2013.

Corporate reporting

The CEO and CFO have made the following certifications to the Board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the remuneration and audit committees. The audit committee is chaired by a non-executive director, whilst the remuneration committee includes the CEO. The committee structure and membership is reviewed on an annual basis. A policy of rotation of committee members applies.

Each committee is developing its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate, commensurate with the current size of the Company and the main Board of Directors for the Company.

Minutes of committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees currently being developed.

Due to the size of the Company a nomination committee has not been established at this time.

Remuneration committee

The remuneration committee consists of the following non-executive directors:

Mr. A Anderson (Chairman)
Dr, G Mitchell
and the following executive director:
Dr. D Burton.

Details of these directors' attendance at remuneration committee meetings are set out in the directors' report on page 5.

The remuneration committee operates in accordance with its draft charter. The remuneration committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Committee members receive regular briefings from an external remuneration expert on recent developments on remuneration and related matters.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description is reviewed by the remuneration committee on an annual basis and, where necessary, is revised in consultation with the relevant employee.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading "Remuneration report" and note 24 to the financial statements.

The committee also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Audit committee

The audit committee consists of the following non-executive director:

Mr. A Anderson (Chairman appointed 1 January 2007)
and the following executive director: Dr. D Burton

Details of the director's qualifications and attendance at audit committee meetings are set out in the directors' report on pages 4-6.

The audit committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The audit committee operates in accordance with a charter that has been formally adopted. The main responsibilities of the committee are to:

- review, assess and approve the annual report, the half-year financial report and all other financial information published by the company or released to the market
- assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
    - effectiveness and efficiency of operations
    - reliability of financial reporting
    - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework
- recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance
- consider the independence and competence of the external auditor on an ongoing basis
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence
- review and monitor related party transactions and assess their propriety
- report to the board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit committee:

- receives regular reports from management, the internal and external auditors
- meets with the external auditors at least twice a year, or more frequently if necessary
- reviews the processes the CEO and CFO have in place to support their certifications to the board
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved
- provides the external auditors with a clear line of direct communication at any time to either the Chairman of the audit committee or the Chairman of the board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Ernst & Young were appointed as the external auditors at the annual general meeting in November 2008.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 25 to the financial statements. The external auditors provide an annual declaration of their independence to the audit committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Risk assessment and management

The Board, through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority.

Adherence to the Code of Conduct is required at all times and the board actively promotes a culture of quality and integrity.

Code of Conduct

The company is developing a statement of values and a Code of Conduct (the Code), which has been fully endorsed by the Board and applies to all directors and employees. The Code will be regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The purchase and sale of company securities by directors and employees is only permitted during the thirty-day period following the release of the half-yearly, the preliminary annual financial results to the market and the Annual Report to market. Any transactions undertaken must be notified to the Company Secretary in advance.

The Code and the company's trading policy is discussed with each new employee as part of their induction training and all employees are asked to sign an annual declaration confirming their compliance.

The Code requires employees who are aware of unethical practices within the Group or breaches of the company's trading policy to report these through the Chief Financial Officer or the Chief Executive Officer.
The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

Continuous disclosure and shareholder communication

The company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the company's securities. These policies and procedures also include the arrangements the company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the company's web-site as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders receive a copy of the company's annual and regular investor newsletter.

Diversity policy

The Corporate Governance Principles and Recommendations include that a company has a formal diversity Policy. The company will, during the next reporting period, establish and implement a diversity policy, which will include, but not be limited to, gender, age, ethnicity and cultural background of the Board and Key Management Personnel. The company will set measurable objects to measure the achievement of the diversity policy, and introduce procedures to ensure its proper implementation. An internal review will be conducted annually to assess the effective of the policy and its implementation procedures.

Share Trading Policy

The company has issued a share trading policy, which was lodged with the Australian Stock Exchange in December of 2010. The intent of this share trading policy is to preserve the reputation and integrity of Compumedics so as to ensure when people associated with Compumedics deal in securities of the company those dealings are not only fair but are seen to be fair.

As such the general scheme of the share trading policy regarding allowable dealings by employees and Directors in Compumedics securities is that person should:

1 never engage in short-term trading of Compumedics securities

2 not deal in Compumedics securities while in possession of price sensitive information

3 notify the Company Secretary of any material intended transactions involving the Company’s securities; and

4 restrict their buying and selling of Compumedics securities to within the specified “trading window”.

Financial Statements – 30 June 2013

This financial report covers consolidated financial statements for the consolidated entity consisting of Compumedics Limited and its subsidiaries. The financial report is presented in the Australian currency and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

Compumedics Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Compumedics Limited
30-40 Flockhart Street
Abbotsford VIC 3067
Australia

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 2 - 3 in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 30 September 2013. The company has the power to amend and reissue the financial report.

Through the use of the Internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available to our investors on our website: www.compumedics.com.

Statement of Comprehensive Income

For the year ended 30 June 2013

		Consolidated	
		2013	**2012**
	Notes	**$'000**	**$'000**
Revenue			
Sale of goods	5	27,150	27,915
		27,150	**27,915**
Other income	6	781	586
Expenses			
Cost of sales		(13,330)	(14,096)
Administration		(4,528)	(4,411)
Sales and Marketing		(6,572)	(6,631)
Research and Development	7	(4,369)	(4,635)
Finance costs	7	(414)	(515)
Loss before income tax		**(1,282)**	**(1,787)**
Income tax expense	8	(207)	(1,042)
Net loss		**(1,489)**	**(2,829)**
Other comprehensive income:			
Will be reclassified subsequently to profit and loss when specific conditions are met.			
Foreign currency translation		377	(711)
Other comprehensive income/(loss) for the year,		377	(711)
Tax impact of other comprehensive income		-	-
Total comprehensive loss for the year		**(1,112)**	**(3,540)**
Loss is attributable to:			
Equity holders of Compumedics Limited		**(1,489)**	**(2,829)**
Total comprehensive loss for the year is attributable to:			
Equity holders of Compumedics Limited		**(1,112)**	**(3,540)**
		Cents	**Cents**
Loss per share for loss attributable to the ordinary equity holders of the company:			
Basic loss per share	34	(0.91)	(1.75)
Diluted loss per share	34	(0.91)	(1.75)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2013

	Notes	Consolidated 2013 $'000	Consolidated 2012 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	1,292	1,099
Trade and other receivables	10	8,105	8,701
Inventories	11	5,498	5,289
Total current assets		**14,895**	**15,089**
Non-current assets			
Property, plant and equipment	12	738	755
Intangible assets	13	3,454	4,031
Total non-current assets		**4,192**	**4,786**
Total assets		**19,087**	**19,875**
LIABILITIES			
Current liabilities			
Trade and other payables	14	4,600	4,909
Borrowings	15	2,339	1,989
Provisions	16	2,139	2,031
Deferred revenue	17	1,321	1,292
Income tax payable	8	182	186
Total current liabilities		**10,581**	**10,407**
Non-current liabilities			
Borrowings	18	-	93
Provisions	19	27	34
Deferred revenue	20	126	126
Total non-current liabilities		**153**	**253**
Total liabilities		**10,734**	**10,660**
Net assets		**8,353**	**9,215**
EQUITY			
Contributed equity	21	31,269	31,019
Reserves	22(a)	(595)	(972)
Accumulated losses	22(b)	(22,321)	(20,832)
Total equity		**8,353**	**9,215**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2013

CONSOLIDATED	Notes	Attributable to members of Compumedics Limited Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000
At 1 July 2011		**31,019**	**(261)**	**(18,003)**	**12,755**
Loss for the year		-	-	(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	21(b)	-	-	-	-
At 30 June 2012		**31,019**	**(972)**	**(20,832)**	**9,215**
At 1 July 2012		**31,019**	**(972)**	**(20,832)**	**9,215**
Loss for the year		-	-	(1,489)	(1,489)
Other comprehensive income		-	377	-	377
Total comprehensive income/(loss) for the year		-	**377**	**(1,489)**	**(1,112)**
Transactions with owners in their capacity as owners:					
New Shares issued	21(b)	250	-	-	250
At 30 June 2013		**31,269**	**(595)**	**(22,321)**	**8,353**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2013

	Notes	Consolidated 2013 $'000	Consolidated 2012 $'000
Cash flows 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)		(27,936)	(28,083)
		249	1,444
Interest and other costs of finance paid		(414)	(515)
Income tax paid		(207)	-
Receipts from other income		781	586
Net cash inflow from operating activities	33	**409**	**1,515**
Cash flows from investing activities			
Purchase of property, plant and equipment		(334)	(82)
Purchase of intangible assets		(313)	(580)
Net cash outflow from investing activities		**(647)**	**(662)**
Cash flows from financing activities			
Proceeds from borrowings		2,085	-
Repayment of borrowings		(1,997)	(1,067)
Proceed from issue of shares		250	-
Net cash inflow/(outflow) from financing activities		**338**	**(1,067)**
Net increase/(decrease) in cash and cash equivalents		100	(214)
Cash and cash equivalents at the beginning of the financial year		(296)	(80)
Effects of exchange rate changes on cash and cash equivalents		91	(2)
Cash and cash equivalents at end of year	9	**(105)**	**(296)**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the 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 years presented, unless otherwise stated. The financial report includes financial statements for the consolidated entity consisting of Compumedics Limited and its subsidiaries. Compumedics Limited is the ultimate parent.

(a) Basis of preparation

This general-purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared for a profit entity.

Compliance with IFRS
The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board.

Historical cost convention
These financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements in conformity with IFRS 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Going Concern and funding facilities

During the year ended 30th June 2013 the Group reported a loss after tax of $1.5m and net positive cash flow from operations of $0.4m. The $1.5m loss after tax reflected the following items: a $1.2m charge for depreciation and amortisation. The operating cash of $0.4m was primarily utilised for investing activities of $0.6m.

The Group did refinance its existing bank debt in February 2013 with BIBBY Financial Services (Australia) Pty Ltd (BIBBY). At this point in time the Company drew down $1.2m of its $2.5m facility limit to repay its bank debt at this time. As the facility provided by BIBBY is an invoice financing facility this was the maximum available under the facility at that point in time. The availability of funding under the invoice financing facility is dependent upon BIBBY's acceptance of invoices as being available for funding.

Owing to these ongoing limitations in its funding facilities, the Company was unable to ship significant amounts of sales orders received such that its revenues for the year were negatively impacted and it has significant carried forward sales orders at 30 June 2013.

During the financial year the Group had been seeking alternate debt facilities in order to clear the backlog of sales orders and was successful in securing short-term loans from shareholders and other interested parties in the amount of $0.45m. In addition the Group did place $0.25m in new shares and received a further $0.4m in short-term funding from BIBBY. As most of these funds were received in June 2013 their impact on the results for the year ended 30th June 2013 were negligible. The Group believes that the new facilities provided by BIBBY together with the additional short-term lending from BIBBY, shareholders and other interested parties will be sufficient to meet the funding needs of the Group and specifically as it relates to the shipment of significant sales back-orders. At the date of this report the Company has made significant progress towards manufacture of the items necessary to clear the back-log of sales orders but has only begun to ship those sales back-orders and as a result the Directors view the continuing viability of the Company requires:

1. The Company to ship substantially all the sales back-orders by 30th November 2013

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

2 Utilise the cash from these shipments to manufacture further product for new sales orders received and to increase the level of funding available in the business.
3 Achieve its budget for the 2013/14 financial year, which includes shipping at least $5.5m of the $7.2m of sales orders carried forward at 30th June 2013

Based on the advanced status of the activities noted the Directors are confident the Company will be successful in achieving these objectives.

As such the Directors have prepared the financial statements on a going-concern basis.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Compumedics Limited ("company") as at 30 June 2013 and the results of all subsidiaries for the year then ended. Compumedics Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which control is transferred out of the group.

The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations, which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision maker being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

1. Summary of significant accounting policies (continued)

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Compumedics Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions 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 foreign currencies are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(iii) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to foreign currency translation reserve. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised for the major business activities as follows:

(i) Sale of goods
This is typically for the sale of diagnostic systems, including hardware and software. Revenue is recognised on the sale of goods when ownership of the asset sold has been transferred so that risks and reward have passed to the buyer.

(ii) Services
This is typically for technical support contracts post the sale and installation of the diagnostic systems. Revenue is recognised on the sale of services on a straight-line basis over the life of the contract for which the Group has an obligation to perform services pursuant to the contract.

(f) Income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- ► When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ► When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- ► When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ► When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Compumedics Limited and its wholly owned Australian controlled entities have not implemented the tax consolidation legislation.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- ► When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- ► Receivables and payables, which are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

1. Summary of significant accounting policies (continued)

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 12). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within 'sales and marketing expenses'. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

1. Summary of significant accounting policies (continued)

(k) Inventories

(i) Raw materials and stores, work in progress and finished goods
Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

(m) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or re-valued amounts, net of their residual values, over their estimated useful lives. The expected useful lives for all categories of property, plant and equipment are between 3 and 6 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(n) Intangible assets

(i) Research and development
Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development.

1. Summary of significant accounting policies (continued)

(n) Intangible assets (continued)

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which is 7 years.

(o) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(q) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Borrowing costs include:
- Interest on bank overdrafts, other short-term funding facilities and short-term and long-term borrowings,
- Finance lease charges, and
- Bank charges on borrowing facilities.

(r) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

1. Summary of significant accounting policies (continued)

(s) Employee benefits

(i) Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments
Share-based compensation benefits, if applicable, are provided to employees via the Compumedics Employee Option Plan. Information relating to these schemes is set out in note 28.

The fair value of options granted under the Compumedics Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market-vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

(iv) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

(t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

(v) Earnings per share

(i) Basic earnings per share

1. Summary of significant accounting policies (continued)

(v) Earnings per share (continued)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary **share**s and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(w) Rounding of amounts

The company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(x) Reclassifications

Certain reclassifications have been made in the financial statements to ensure that prior year comparisons confirm to the current year presentations.

(y) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The following standards and interpretations would have been applied for the first time for entities with years ending 30 June 2013 (unless early adopted):

Reference	Title	Application date of standard*	Impact	Application date for Group*
AASB 2011-9	**Amendments to Australian Accounting Standards - Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]** This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	Minimal	1 July 2012

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 30 June 2013.

Reference	Title	Summary	Application date of standard	Impact	Application date for Group
AASB 10	*Consolidated Financial Statements*	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation - Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.	1 Jan 2013	Minimal	1 July 2013
AASB 11	*Joint Arrangements*	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities - Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.	1 January 2013	Minimal	1 July 2013
AASB 12	*Disclosure of Interests in Other Entities*	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.	1 January 2013	Minimal	1 July 2013
AASB 13	*Fair Value Measurement*	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to	1 January 2013	Minimal	1 July 2013

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

Reference	Title	Summary	Application date of standard	Impact	Application date for Group
		determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.			
AASB 119	*Employee Benefits*	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	Minimal	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards - *Disclosures - Offsetting Financial Assets and Financial Liabilities*	AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.	1 January 2013	Minimal	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: ► Repeat application of AASB 1 is permitted (AASB 1) ► Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 *Presentation of Financial Statements*).	1 January 2013	Minimal	1 July 2013
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 *Interpretation of Standards* to evidence the withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia.*	1 January 2013	Minimal	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to *Remove*	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also	1 July 2013	Minimal	1 July 2013

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

Reference	Title	Summary	Application date of standard	Impact	Application date for Group
	Individual Key Management Personnel Disclosure Requirements [AASB 124]	removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.			
AASB 1053	*Application of Tiers of Australian Accounting Standards*	This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this standard) (b) The Australian Government and State, Territory and Local governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.	1 July 2013	Minimal	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	Minimal	1 July 2014
Interpretation 21	Levies	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	Minimal	1 July 2014
AASB 9	*Financial Instruments*	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.	1 Jan 2015	Minimal	1 July 2015

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

Reference	Title	Summary	Application date of standard	Impact	Application date for Group
		These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.			

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance and financial position of the Group.

Risk management is carried out by the senior managers of the Group.

(a) Market risk

(i) Foreign currency risk

Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk primarily arising from currency exposures to the US dollar and the Euro.

The Group does not generally use derivative financial instruments as the Group seeks to offset its revenues and receivables denominated in US dollars and Euro's with expenses and payables in the same currency where it is appropriate to do so. The Group will look to cover specific foreign currency exposures where it is appropriate to do so.

The Group's and parent entity's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2013		30 June 2012	
	USD $'000	Euro $'000	USD $'000	Euro $'000
Financial assets				
Cash and cash equivalents	677	209	190	1
Trade receivables	2,367	248	1,791	374
Financial liabilities				
Bank Loans	-	-	-	-
Trade payables	(200)	(47)	(462)	(89)
Net exposure	**2,844**	**410**	**1,519**	**286**

Sensitivity analysis

Based on the financial instruments held at 30 June 2013, had the Australian dollar weakened/strengthened by five percent against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have been $0.161m higher / $0.146m lower (2012: $0.070m higher / $0.077m lower), as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. Based on the financial instruments held at 30 June 2013, had the Australian dollar weakened/strengthened by five percent against the EURO with all other variables held constant, the Group's post-tax profit for the year would have been $0.030m higher / $0.027m lower (2012: $0.021m higher / $0.023m lower), as a result of foreign exchange gains/losses on translation of EURO dollar denominated financial instruments as detailed in the above table. The Group and parent entity's exposure to other foreign exchange movements is not material. The Group considers a five percent movement in either the US dollar or the Euro appropriate for the purposes of this sensitivity analysis as historically the Australian dollar has moved in a plus or minus five percent band against the US dollar and the Euro in any given financial year, prior to 2008/2009.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

2. Financial risk management (continued)

The parent entity has a current intercompany account receivable with the US business, all of which is considered a net investment in the US legal entity. As such, any exchange gain or loss resulting from the translation into Australian Dollars of the net investment of the inter company account is taken to a foreign currency translation reserve. There is no profit or loss impact from movements in exchange rates relating to this net investment.

The parent entity likewise considers its inter company account with the German business as part of its net investment and again there is no profit or loss impact from movements in exchange rates related to this net investment.

(i) Interest rate risk
As at the reporting date, the Group had the following variable rate borrowings outstanding:

	30 June 2013		30 June 2012	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Consolidated				
Cash and cash equivalents	0.00%	1,292	0.00%	1,099
Bank overdrafts and loans and invoice financing facility	12.67%	2,339	10.68%	1,895

Sensitivity analysis
The Groups overall sensitivity to interest rate movements is, in part, dependent on the underlying profitability of the Group. If the Group delivers profits at the level achieved in the year ended 30 June 2013 then based on 30 June 2013 year end borrowing of $2.3m a plus or minus 2% movement in interest rates (+/- $46,000) would not cause a material change in underlying profitability of the Group.

The Group has adopted a policy of borrowing in Australian dollars with Australian banks and/or other financial institutions as it builds its offshore businesses. When appropriate to do so the Group will seek to evolve its borrowing profile such that borrowings are spread across territories in relation to the business undertaken in those territories.

(b) Credit risk

The Group currently sells goods and services primarily to four major geographic regions being:
- Australia and New Zealand (A & NZ)
- United States of America (USA)
- Europe, the Middle East and Africa (EMEA)
- Asia

The sale of goods and services into Australia and New Zealand, the USA and Germany are made directly to the end user customer.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

2. Financial risk management (continued)

(b) Credit risk (continued)

The sale of goods and services to Europe, the Middle East, Africa and Asia are typically made via distributors based in specific countries in Europe (excluding Germany) the Middle East, Africa and Asia. The distributor then on sells the goods to the end user customer in the specific country in Europe, the Middle East, Africa and Asia.

The collectability of receivables within agreed terms is typically better where the goods and services are sold to a direct customer rather than to a distributor.

The Group does not hold any credit derivatives to offset its credit exposure. In February 2013 the Company refinanced its working capital needs with BIBBY Financial Services utilizing an invoice financing facility. Details of which can be found at Note 15. These financing activities do not affect this analysis of credit risk summarised here.

The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant, despite receivable balances remaining payable beyond terms. The following tables identify accounts receivable at 30 June 2013 and 30 June 2012 identified by debt owed into major region and currency. The aging analysis is presented based on due date of invoice.

Region	Not Due $'000	1 to 29 Days $'000	30 Days $'000	60 Days $'000	90+ Days $'000	Total $'000
2013						
Parent entity (AUD)	544	469	33	9	4	1,059
Parent entity (USD)	936	1,051	27	259	280	2,553
Parent entity (EURO)	71	121	38	(2)	122	350
US subsidiary (USD)	1,442	369	119	10	690	2,630
German subsidiary (EURO)	1,379	132	32	-	230	1,773
	4,372	**2,142**	**249**	**276**	**1,326**	**8,365**
Provision	-	(1)	(3)	(39)	(900)	(943)
2012						
Parent entity (AUD)	1,071	327	36	35	193	1,662
Parent entity (USD)	850	23	68	11	805	1,757
Parent entity (EURO)	156	99	72	(11)	146	462
US subsidiary (USD)	1,251	118	40	93	1,216	2,718
German subsidiary (EURO)	2,235	71	73	16	187	2,582
	5,563	**638**	**289**	**144**	**2,547**	**9,181**
Provision	-		-	-	(890)	(890)

The table highlights that:

- The collection of cash from the sale of goods and services to direct end user customers as identified by USA (USD) and Parent entity (AUD) accounts receivable usually occurs at or not long after agreed payment terms. Debtors in the 90-day column are 26.2% (2012: 44.7%) and 0.4% (2012: 11.6%) of the total debtors owing in the respective territories. The significant decline in the US 90 day accounts receivable owing relates primarily to better management of the sale, installation and cash collection cycle. The Company does not consider these accounts receivable to be at risk of non-payment.
- The collection of cash from the sale of goods and services to distributors in Europe, the Middle East, Africa and Asia as represented by Parent entity (USD) accounts receivable usually occur well after agreed payment terms. Debtors in the 90-day column are approximately 11.0% (2012: 45.8%) of the total debtors outstanding in the current year and reflect better management of the sale and collection cycle with the Company's distributors. The Company does not consider these accounts receivable to be at risk of non-payment.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

2. Financial risk management (continued)

- The collection of cash from the sale of goods and services in the DWL business, which is primarily via distributors into Europe and Asia typically occurs at or not long after agreed payment terms. Debtors in the 90-day column for DWL represent only 13% (2012: 7.2%) of all debtors owed to this business.

Information on the Group's maximum exposure to credit risk and financial assets that are either past due or impaired can be found at Note 10.

(c) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and committed available credit lines.

The Group does not have a specific policy as to the ratio of long term to short term debt and has instead focused on minimising total Group debt.

The Group manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis across its worldwide business units that reflect expectations of management of the expected settlement of financial assets and liabilities.

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay. When the Group is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Group is required to pay. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant, equipment and investments in working capital (e.g. inventories and trade receivables).

Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

The Group refinanced its existing bank debt in February 2013 with BIBBY Financial Services (Australia) Pty Ltd (BIBBY). At this point in time the Company drew down $1.2m of its $2.5m facility limit to repay its bank debt at this time. As the facility provided by BIBBY is an invoice financing facility this was the maximum available under the facility at that point in time. The Group was successful in securing further short-term loans from shareholders and other interested parties in the amount of $0.45m. In addition the Group did place $0.25m in new shares and received a further $0.4m in short-term funding from BIBBY. The funding milestones noted were largely completed in June 2013.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

2. Financial risk management (continued)

Details of the Group's financing arrangements can be found at Note 15.

Liquid Financial Assets and Liquid Financial Liabilities

Consolidated	6 months $000	6-12 months $000	1-5 years $000	> 5 years $000	Total $000
Year ended 30 June 2013					
Liquid financial assets					
Cash and cash equivalents	1,292	-	-	-	1,292
Trade and other receivables	8,105	-	-	-	8,105
	9,397	-	-	-	9,397
Financial liabilities					
Trade and other payables	4,600	-	-	-	4,600
Interest bearing loans and borrowings	2,132	207	-	-	2,339
	6,732	207	-	-	6,939
Net inflow / (outflow)	2,665	(207)	-	-	2,458
Year ended 30 June 2012					
Liquid financial assets					
Cash and cash equivalents	1,099	-	-	-	1,099
Trade and other receivables	8,701	-	-	-	8,701
	9,800	-	-	-	9,800
Financial Liabilities					
Trade and other payables	4,909	-	-	-	4,909
Interest bearing loans and borrowings	1,989	-	93	-	2,082
	6,898	-	93	-	6,991
Net inflow/(outflow)	2,902	-	(93)	-	2,809

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Deferred revenues

In calculating the Group's deferred revenues at any point in time the Group makes a judgement regarding the revenues to be deferred to future periods in respect of future installations and training obligations.

The Group reviews its current cost for installation and training as a percentage of current revenues in determining an appropriate future cost for installation and training obligations that are still to be performed. The Group also reviews its installation and training fees as a percentage of total revenue associated with the purchase of the goods to be installed. Based on current installation and training costs and installation and training fees, as an estimate for future installation and training costs and installation and training fees, 12% (deferral rate) of the total dollar value of all current sales where a future installation and training obligation exists, is deferred until such time as the future installation and training obligations have been extinguished.

(ii) Inventory

At any given point the Group has an obligation to carry its inventory at the lower of cost and net realisable value. In determining the Group's compliance with this requirement the Group reviews its slow moving inventory at December 31 and June 30 each year. As a consequence of this review the financial provision for slow moving inventory is adjusted with a resulting profit or loss impact.

In determining the appropriateness of the slow moving inventory provision the Group makes estimates about its future use of certain product lines and also the ultimate recoverability and usefulness of the inventory on hand.

Given the leading edge technology nature of the Group's activities, this may mean that inventory that was previously considered usable and therefore of value may quickly become redundant, obsolete or simply no longer usable.

(iii) Trade receivables

Similarly for trade receivables the Group must make an estimate at any given point in time as to the recoverability of the receivables it has on its ledger and a provision for impairment is created based on this estimate.

The estimate is based on many factors including:

- The Group's knowledge of its customers and the likelihood of there being any issue with payment
- The Group's prior good history in relation to collecting receivables
- The territory where the receivable is owed from; and
- The age of outstanding balances.

Using this information the Group makes an assessment of the recoverability of its trade receivables.

(iv) Recoverability of capitalised development costs

The Group did capitalise additional costs of $0.3m (2012: $0.2m) related to the development of the Multi DopX product in the DWL (German) business. Prior year capitalisations were also related to the SPAP product ($0.4m). The recoverability of these costs is dependant on the commercial success of both these products, which form the basis of the net present value calculations, so that it will generate future economic benefits in excess of the costs capitalised and therefore supports the carrying value of the assets. The group continued amortisation of these costs in the 2013 financial year with a $0.9m (2012: $0.8m) charge to profit or loss in the current year.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

(v) Deferred tax asset

At the 30th June 2012 the Company wrote back a tax asset of $928k it had booked in a previous year. The deferred tax asset was primarily related to the future benefit of carry forward tax losses, as well as a net deferred tax asset relating to timing differences. The Company believes, at this point in time, whilst it is likely the deferred tax asset is recoverable, given the refinancing of the business completed in June 2013 and the ability of the Company to ship the excess backlog of sales orders, however, as this process is still to be completed at reporting date the tax asset should not be recognised at 30th June 2013.

4. Operating Segments

(a) Accounting policies and inter-segment transactions.

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior periods except as detailed below:

Inter-entity sales

Inter-entity sales are recognised based on an internally set transfer price. The price is set annually and aims to reflect what the business operations could achieve if they sold their output and services to external parties at arm's length.

Corporate charges

Corporate charges comprise non-segmental expenses such as head office expenses and interest. Corporate charges are allocated to each operating segment on a proportionate basis linked to segment revenue so as to determine a segmental result.

It is the Group's policy that if term of revenue and expenses are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

(b) Description of segments

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the geographical location in which products are sold and services provided, either directly to end-user customers or via distributors. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

4. Operating Segments (continued)

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.

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.

Major Customers

The Group does not have any individual customer that contributes 10% or more to Group revenues in the years ended 30 June 2013 or 30 June 2012.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

4. Operating Segments (continued)

Segment revenues are allocated based on the country in which the customer is located. Segment assets and capital expenditure are allocated based on where the assets are located.

2013	USA	Australia and Asia Pacific	Europe	Group
	$'000	$'000	$'000	$'000
Revenue				
Sales to external customers	7,774	11,087	8,289	27,150
Intersegment sales	915	1,533	184	2,632
Other intersegment revenue	-	77	1,594	1,671
Total segment revenue	**8,689**	**12,697**	**10,067**	**31,453**
Intersegment elimination	(915)	(1,610)	(1,778)	(4,303)
Total revenue	**7,774**	**11,087**	**8,289**	**27,150**
Segment Result	**(2,255)**	**888**	**928**	**(439)**
Other income				781
Depreciation and amortisation				(1,210)
Net Interest expense				(414)
Net Loss before income tax per the Statement of Comprehensive Income				**(1,282)**
Segment Assets	**2,898**	**28,104**	**4,981**	**35,983**
Intersegment elimination	(35)	(16,831)	(30)	(16,896)
Total assets per the Statement of Financial Position	2,863	11,273	4,951	19,087
Acquisition of property plant & Equipment	**13**	**10**	**311**	**334**

Sales within Australia for 2013 were $5.4m

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

4. Operating Segments (continued)

2012	USA $'000	Australia and Asia Pacific $'000	Europe $'000	Group $'000
Revenue				
Sales to external customers	9,920	10,279	7,716	27,915
Intersegment sales	876	1,516	246	2,638
Other intersegment revenue	-	79	1,196	1,275
Total segment revenue	**10,796**	**11,874**	**9,158**	**31,828**
Intersegment elimination	(876)	(1,595)	(1,442)	(3,913)
Total revenue	**9,920**	**10,279**	**7,716**	**27,915**
Segment Result	**(1,673)**	**1,623**	**(692)**	**(742)**
Other income				586
Depreciation and amortisation				(1,116)
Net Interest (expense) / income				(515)
Net Profit before income tax per the Statement of Comprehensive Income				**(1,787)**
Segment Assets	**3,115**	**27,329**	**4,740**	**35,184**
Intersegment elimination	(18)	(15,239)	(52)	(15,309)
Total assets per the Statement of Financial Position	3,097	12,090	4,688	19,875
Acquisition of property plant & Equipment	**4**	**253**	**61**	**318**

Sales within Australia for 2012 were $5.2m

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

5. Revenue

	Consolidated	
	2013	2012
	$'000	$'000
Sales revenue		
Sale of goods	24,816	25,684
Services	2,334	2,231
	27,150	**27,915**

6. Other income

Other income	**781**	**586**

Other income relates to sub-lease rental income in Melbourne and other items not directly related to the main operating activities of the Company.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

7. Expenses

	Consolidated 2013 $'000	Consolidated 2012 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	320	334
Total depreciation	**320**	**334**
Amortisation		
Intangible asset	890	782
Finance costs		
Interest and finance charges paid/payable	414	515
Rental expense relating to operating leases		
Minimum lease payments	626	649
Foreign exchange (gains) / losses (a)	(159)	(15)
Employee benefits		
Payroll expense including leave payments	11,144	11,993
Superannuation entitlements	535	627
	11,679	**12,620**
Research and development expenditure	4,369	4,635
Current receivables – movement in impairment provision	53	71
Inventory – write down / (Recovery):	(208)	107

(a) Foreign exchange gains and losses

Net foreign exchange gains of $0.159m (2012: $0.015m) were primarily related to trading transactions and included in Administration and Research and Development expense lines.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

8. Income tax expense / (benefit)

	Consolidated 2013 $'000	Consolidated 2012 $'000
(a) Income tax expense		
Current income tax		
Current income tax charge	81	114
Prior year assessment – German tax authority	126	
Deferred income tax	-	928
Income tax reported in the statement of comprehensive income	**207**	**1,042**
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense as reported in the statement of comprehensive income	(1,282)	(1,787)
Loss before income tax subject to Australian income tax	(1,282)	(1,787)
Tax (benefit) at the Australian tax rate of 30% (2012 - 30%)	(385)	(536)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible expenses	6	3
Research and development	(266)	(262)
Prior year assessment – German tax authority	126	-
Deferred tax asset not brought to account	726	909
Deferred tax asset written-off	-	928
Income tax expense reported in the statement of comprehensive income	**207**	**1,042**
(c) Provision for income tax – current		
Estimated income tax payable for Compumedics Germany GmbH	182	186

At balance date the Company estimates there is a deferred tax liability of $1.1m (2012 $1.2m), related to the intangible assets and temporary differences, which has been fully offset by the deferred tax asset in relation to temporary differences, unused tax losses and research and development offsets in Australia not recognised, with a value of $4.1m (2012 $2.6m). In addition, the Company estimates a deferred tax asset exists in relation to tax losses in the USA of $2.8m (2012 $2.8m), which is not recognised.

The benefit of tax losses will be obtained if:

(i) the Group derived future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the loss to be realised,
(ii) the Group continued to comply with the conditions for deductibility imposed by tax legislation, and
(iii) no change in tax legislation adversely affected the Group in realising the benefit from the deductions for the loss.

(d) Tax consolidation legislation

Compumedics Limited and its wholly owned Australian controlled entities have elected not to implement the tax consolidation legislation.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

9. Current assets – Cash and cash equivalents

	Consolidated 2013 $'000	Consolidated 2012 $'000
Cash at bank and in hand	1,292	1,099

Included in cash on hand is restricted cash amounting to $0.2m. This relates to security for the rental bond on the offices the Company occupies in Melbourne and for security regarding the corporate credit cards used in the US.

Reconciliation to Statement of Cash Flows
For the purposes of the statement of cash flow, cash and cash equivalents comprise the following at 30 June

	2013 $'000	2012 $'000
Cash at bank and in hand	1,292	1,099
Bank overdrafts / invoice financing facility (note 15)	(1,397)	(1,395)
Balances per Statement of Cash Flows	**(105)**	**(296)**

10. Current assets – Trade and other receivables

	Consolidated 2013 $'000	Consolidated 2012 $'000
Trade receivables	8,365	9,181
Allowance for impairment loss (a)	(943)	(890)
	7,422	**8,291**
Other receivables/prepayments	669	396
Related party receivables:		
Loans to key management personnel	14	14
	8,105	**8,701**

(a) Movements in the provision for impairment loss were as follows:

	2013 $'000	2012 $'000
At 1 July	890	875
Provision for impairment recognised during the year	538	71
Receivables written off during the year as uncollectible	(485)	(56)
	943	**890**

The creation and release of the provision for impaired receivables has been included in 'sales and marketing' expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

10. Current assets – Trade and other receivables (continued)

Past due but not impaired

As of 30 June 2013, trade receivables of $3.049m (2012 - $2.857m) were past due but not impaired. These relate to a number of independent customers and distributors for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Up to 3 months	2,665	1,134
3 to 6 months	105	1,023
Over 6 months	279	700
	3,049	**2,857**

Fair value and credit risk

Due to the short-term nature of these non-interest bearing receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

Due to the industry in which the Group operates, the Group trades with a number of Australian and overseas distributors who are historically slow payers. The ageing profile of trade receivables is closely monitored and significantly aged balances and doubtful accounts are provided against.

11. Current assets - Inventories

The provision for stock obsolescence was reduced during the year ended 30 June 2013 by $0.2m as a result of the Groups utilising the previously recognised provision against specific inventory reductions. These activities have led the Group to adjust the provision for stock obsolescence to reflect the recoverable value of the inventory on hand at 30 June 2013.

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Raw materials and stores (at cost)	4,448	5,015
Work in progress (at cost)	719	818
Finished goods (at cost)	2,300	1,633
Provision for obsolescence	(1,969)	(2,177)
Total inventories at the lower of cost and net realisable value	**5,498**	**5,289**

(a) Inventory expense

Inventories recognised as an expense during the year ended 30 June 2013 amounted to $9,808,600 (2012: $9,560,025).

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

12. Non-current assets - Property, plant and equipment

Consolidated	Plant and Equipment At Cost $'000	Office Equipment At Cost $'000	Motor Vehicle $'000	Leasehold Improvements $'000	Plant and Equipment Leased $'000	Office Equipment Leased $'000	Total $'000
Year ended 30 June 2012							
Opening net book amount	230	548	37	1	-	-	816
Additions	-	317	1	-	-	-	318
Exchange differences	(6)	(39)	-	-	-	-	(45)
Disposals	-	-	-	-	-	-	-
Depreciation/amortisation expense	(70)	(262)	(1)	(1)	-	-	(334)
At 30 June 2012	154	564	37	-	-	-	755
At 30 June 2012							
Cost or fair value	1,045	4,142	228	585	430	571	7,001
Accumulated depreciation	(891)	(3,578)	(191)	(585)	(430)	(571)	(6,246)
Net carrying amount	154	564	37	-	-	-	755
Year ended 30 June 2013							
Opening net book amount	154	564	37	-	-	-	755
Additions	194	140	-	-	-	-	334
Exchange differences	6	51	-	-	-	-	57
Disposals	-	(88)	-	-	-	-	(88)
Depreciation/amortisation expense	(72)	(245)	(3)	-	-	-	(320)
At 30 June 2013	282	422	34	-	-	-	738
At 30 June 2013							
Cost or fair value	1,239	4,194	228	585	430	571	7,247
Accumulated depreciation	(957)	(3,772)	(194)	(585)	(430)	(571)	(6,509)
Net carrying amount	282	422	34	-	-	-	738
Useful life (years)	6	3	3	-	6	3	

(a) Property, plant and equipment pledged as security for liabilities

Refer to note 15 for information on non-current assets pledged as security.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

13. Non-current assets - Intangible assets

Consolidated	Development costs $'000	Total $'000
Year ended 30 June 2012		
At 1 July 2011	**4,233**	**4,233**
Additions	580	580
Impairment charge	-	-
Amortisation charge	(782)	(782)
At 30 June 2012	**4,031**	**4,031**
At 30 June 2012		
Cost*	5,626	5,626
Accumulated amortisation** and impairment	(1,595)	(1,595)
Net carrying amount	**4,031**	**4,031**
Year ended 30 June 2013		
At 1 July 2012	**4,031**	**4,031**
Additions	313	313
Impairment charge	-	-
Amortisation charge	(890)	(890)
At 30 June 2013	**3,454**	**3,454**
At 30 June 2013		
Cost*	5,939	5,939
Accumulated amortisation** and impairment	(2,485)	(2,485)
Net carrying amount	**3,454**	**3,454**

* Relates to capitalised development costs being an internally generated intangible asset
** Amortisation of $890,366 (2012 - $782,233) is included in depreciation and amortisation expense in profit or loss. The remaining amortisation period for the SPAP sleep-treatment device (Net Carrying Amount is approximately $3.0m at 30th June 2013) is approximately 3.5 years.

14. Current liabilities - Trade and other payables

	Consolidated 2013 $'000	2012 $'000
Trade payables	3,248	3,468
Other payables	1,352	1,441
	4,600	**4,909**

(a) Foreign currency risk

For an analysis of the sensitivity of trade and other payables to foreign currency risk refer to note 2.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

15. Current Liabilities - Borrowings

	Consolidated 2013 $'000	Consolidated 2012 $'000
Secured		
Invoice financing facility (BIBBY)/ prior year: bank overdraft	1,397	1,395
Other loans (BIBBY) / prior year; bank fully drawn advance	400	500
Unsecured		
Other loans	457	-
Lease liabilities (note 27)	85	94
Total Current Borrowings	2,339	1,989

Bank and Other Funding Facilities
In February 2013 the Company repaid its then existing banking facilities utilising a new invoice finance facility provided by BIBBY Financial Services (Australia) Pty Ltd. The new facility has a limit of $2.5m and is dependent on the volume and type of invoices presented on an on-going basis in order to fully utilise the facility limit. The Company has transactional banking facilities and credit cards with National Australia Bank.

(a) Risk exposures

Details of the Group's exposure to fair value interest rate risk arising from current borrowings is set out in note 2.

(b) Fair value disclosures

No borrowings are readily traded on organised markets.

The carrying amounts of all borrowings are not materially different to their fair values at reporting date.

(c) Assets pledged as security and not derecognised in the Statement of Financial Position

The total secured liabilities are as follows:

	Consolidated 2013 $'000	Consolidated 2012 $'000
Invoice financing and other loans	1,797	1,895
Lease liabilities – current	85	94
Lease liabilities – non current	-	93
Total secured liabilities	**1,882**	**2,082**
Assets specifically secured against the invoice financing facility and not derecognised for reporting purposes	5,858	-

The invoice financing facilities are secured by a Corporate Guarantee and Indemnity unlimited as to amount and a Mortgage Debenture over all the assets and undertaking of the Company and subsidiaries: Compumedics Telemed Pty Ltd, Compumedics Cardiology Pty Ltd, Compumedics Medical Innovation Pty Ltd, Compumedics USA Inc, Compumedics Germany GmbH and Compumedics Singapore Pte Ltd.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The Group has, since February 2013, utilised an invoice-financing facility, provided by BIBBY Financial Services (Australia) Pty Ltd (BIBBY) as its main source of working capital finance. The funding provided by BIBBY under this facility is specifically secured against individual invoices presented by the Group from time to time. Under that facility the Company maintains the risks associated with account receivable due to the Company, but is obliged to provide those funds to BIBBY where BIBBY have advanced funds against the invoice. As such the Group continues to recognise accounts receivable to it and to separately disclose funds owed to BIBBY.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

15. Current Liabilities – Borrowings (continued)

The carrying amounts of assets pledged as security for current borrowings are:

	Notes	Consolidated 2013 $'000	2012 $'000
Current			
Floating charge			
Cash and cash equivalents	9	1,292	1,099
Receivables	10	8,105	8,701
Inventories	11	5,498	5,289
Total current assets pledged as security		**14,895**	**15,089**
Non-current			
Floating charge			
Property, plant and equipment	12	738	755
Total non-current assets pledged as security		**738**	**755**
Total assets pledged as security		**15,633**	**15,844**

(d) Forward exchange contracts

As at 30 June 2013 and 30 June 2012 there were no outstanding forward exchange contracts.

(e) Financing arrangements

Access was available at reporting date to the following lines of credit:

	Consolidated 2013 $'000	2012 $'000
Credit standby arrangements		
Total facility		
Invoice financing facility	2,100	1,750
Commercial debtors	-	-
Fixed term borrowings	857	500
	2,957	**2,250**
Used at reporting date		
Invoice financing facility	1,397	1,395
Commercial debtors	-	-
Fixed term borrowings	857	500
	2,254	**1,895**
Unused at reporting date		
Invoice financing facility	703	355
Commercial debtors	-	-
Fixed term borrowings	-	-
	703	**355**
Loan / funding facilities		
Total facilities	2,957	2,250
Used at reporting date	2,254	1,895
Unused at reporting date	**703**	**355**

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

15. Current Liabilities – Borrowings (continued)

The Group had funding facilities totalling $3.0million (including a fully drawn invoice financing advance of $0.400 million and short-term shareholder loans of $0.457m) at 30 June 2013. Access to the invoice financing facility is dependent on the volume and type of invoices presented such that the amount accessible is less than the facility limit.

(f) Derivative instruments

Compumedics Limited and certain of its controlled entities may be party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates. At reporting date there were no outstanding derivative financial instruments in place.

16. Current liabilities - Provisions

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Employee benefits	1,795	1,708
Service warranties (note 16(a))	344	323
	2,139	**2,031**

(a) Service warranties

Provision is made for the estimated warranty claims in respect of products sold which are still under warranty at reporting date. These claims are expected to be settled in the next financial year but this may be extended into the following year if claims are made late in the warranty period and are subject to confirmation by suppliers that component parts are defective.

Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

(b) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Service warranties $'000
Consolidated - 2013	
Current	
Carrying amount at start of year	323
Charged/(credited) to profit or loss	
- additional provisions recognised	21
- unused amounts reversed	-
Carrying amount at end of year	**344**

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

17. Current liabilities - Deferred income

	Consolidated	
	2013 $'000	2012 $'000
Current		
Deferred income	1,321	1,292

Deferred income relates to service contracts yet to be performed and post sale installation and training obligations yet to be completed pursuant to the Group's accounting policies as detailed in Note 1 Summary of significant accounting policies, (e) (ii) Revenue recognition and Note 3 Critical accounting estimates and judgements, (a)(i) Deferred Revenues.

18. Non-current liabilities - Borrowings

	Consolidated	
	2013 $'000	2012 $'000
Secured		
Lease liabilities (note 27)	-	93
	-	**93**

(a) Foreign currency and interest rate risk

Information about the Group's exposure to interest rate and foreign currency risk is provided in note 2 and note 15.

19. Non-current liabilities – Provisions

	Consolidated	
	2013 $'000	2012 $'000
Employee benefits	27	34

20. Non-current liabilities - Deferred income

	Consolidated	
	2013 $'000	2012 $'000
Deferred income	126	126

Deferred income relates to service contracts yet to be performed and post sale installation and training obligations yet to be completed pursuant to the Company's accounting policies as detailed in Note 1 Summary of significant accounting policies, (e) (ii) Revenue recognition.

21. Contributed equity

	Consolidated 2013 Shares	Consolidated 2012 Shares	Consolidated 2013 $'000	Consolidated 2012 $'000
(a) Share capital				
Ordinary shares				
Fully paid	166,885,170	161,983,209	31,269	31,019

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
30 June 2011	Balance	161,983,209		31,019
30 June 2012	Balance	161,983,209		31,019
7 June 2013	New ordinary shares issued	4,901,961	5.1 cents	250
30 June 2013	Balance	166,885,170		31,269

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

The ordinary shares have no par value.

(d) Other equity securities

There are no other equity securities issued at this time.

(e) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Management will periodically adjust the capital structure of the Group to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management pay a dividend to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management currently has no plans to pay a dividend and has not done so in the prior year. This policy will be reviewed at least annually against known and anticipated operational outcomes.

Management has no current plans to issue further shares on the market.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

21. Contributed equity (continued)

(e) Capital management (continued)

	Consolidated 2013 $'000	Consolidated 2012 $'000
Total borrowings	**2,339**	**1,989**
Less cash and cash equivalents	1,292	1,099
Net debt	1,047	890
Total equity	**8,353**	**9,215**
Total funding	**9,400**	**10,105**
Gearing ratio	**11.1%**	**8.8%**

22. Reserves and accumulated losses

	Consolidated 2013 $'000	Consolidated 2012 $'000
(a) Reserves		
Foreign currency translation reserve	(595)	(972)
	(595)	**(972)**
(b) Accumulated losses		
Movements in accumulated losses were as follows:		
Balance 1 July	(20,832)	(18,003)
Net loss for the year	(1,489)	(2,829)
Balance 30 June	**(22,321)**	**(20,832)**

(c) Other Reserves

	Consolidated Foreign currency translations $'000
Balances as at 1 July 2011	**(261)**
Exchange difference on translation of foreign operation	(711)
At 30 June 2012	**(972)**
Exchange difference on translation of foreign operation	377
At 30 June 2013	**(595)**

22. Reserves and accumulated losses (continued)

(d) Nature and purpose of reserves

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit or loss when the net investment is disposed of.

23. Dividends

(a) Ordinary shares

The directors have not declared a dividend in the current financial year (2012: Nil).

24. Key management personnel disclosures

(a) Directors

The following persons were directors of Compumedics Limited during the financial year:

(i) *Chairman and Executive director*
Dr. David Burton, Chief Executive Officer

(ii) *Non-executive directors*
Mr. Alan Anderson
Dr. Graham Mitchell

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	***Position***	***Employer***
David Lawson^	Chief Financial Officer and Company Secretary	Compumedics Limited
Warwick Freeman^	Chief Technology Officer	Compumedics Limited
Kerry Hubick^	Legal Counsel & Patent Attorney	Compumedics Limited
Christoph Witte^	Managing Director, DWL	Compumedics Germany GmbH

^ The above persons were also key management persons during the year ended 30 June 2013.

J Kuznia is no longer a key manager as he has changed roles during the year. R Daspit is also no longer a key manager as his primary role is sales management in the US. Both J Kuznia and R Daspit ceased to be key management personnel from the 1st July 2012.

(c) Key management personnel compensation

	Consolidated	
	2013	**2012**
	$	**$**
Short-term employee benefits	1,167,367	1,472,963
Post-employment benefits	77,208	77,596
Long-term benefits	11,765	16,311
Share-based payments	-	-
	1,256,340	**1,566,870**

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

24. Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel

(i) Option holdings
There were no options provided as remuneration during the current or prior year. No options over ordinary shares were held by KMP's at 30 June 2013 and 30 June 2012.

(ii) Share holdings
The numbers of shares in the company held during the financial year by each director of Compumedics Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year*	Balance at the end of the year
2013				
Directors of Compumedics Limited				
Ordinary shares				
David Burton and/or associated entities	100,822,097	-	-	100,822,097
Dr. Graham Mitchell	-	-	-	-
Alan Anderson	89,655	-	-	89,655
Other key management personnel of the Group				
Ordinary shares				
David Lawson	4,346,650	-	-	4,346,650
Warwick Freeman	82,000	-	-	82,000
Kerry Hubick	1,180,065	-	-	1,180,065
Christoph Witte	-	-	-	-

* The shares were purchased / (sold) on market and off-market at market rates and do not form part of remuneration.

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year*	Balance at the end of the year
2012				
Directors of Compumedics Limited				
Ordinary shares				
David Burton and/or associated entities	100,822,097	-	-	100,822,097
Dr. Graham Mitchell	-	-	-	-
Alan Anderson	89,655	-	-	89,655
Other key management personnel of the Group				
Ordinary shares				
David Lawson	4,346,650	-	-	4,346,650
Warwick Freeman	82,000	-	-	82,000
Kerry Hubick	1,180,065	-	-	1,180,065
Christoph Witte	-	-	-	-

* The shares were purchased / (sold) on market and off-market at market rates and do not form part of remuneration.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

24. Key management personnel disclosures (continued)-

(e) Other transactions with key management personnel

David Burton is a Director and shareholder of Intellirad Solutions Pty Ltd. Expenses have been paid by Compumedics on behalf of Intellirad Solutions Pty Ltd. These have been reimbursed in full.

David Burton is a director of D & DJ Burton Holding Pty Ltd.

A Director, Alan Anderson, is a partner in the American legal firm of Alan Anderson Legal Firm, prior to this he was a partner of Briggs & Morgan. This firm is based in the US and has provided legal services to Compumedics Limited and certain of its controlled entities during the year on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with key management personnel of the Group:

	2013 $	2012 $
Amounts recognised as expense		
Legal fees	6,773	7,622

There is a $107k loan from A. Anderson, a Director of the Company, to the Company. The loan is repayable in 12 months from its inception on 7 June 2013 and carries interest payable at the rate of 15% pa paid quarterly. The loan is not secured.

25. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2013 **$**	**2012** **$**
(a) Audit services		
Ernst & Young Australian firm		
Audit and review of financial reports under the Corporations Act 2001	179,000	165,000
Total remuneration for audit services	**179,000**	**165,000**
(b) Non-audit services		
Taxation services		
Tax compliance services	55,495	38,450
Total remuneration for taxation services	**55,495**	**38,450**
	234,495	**203,450**

26. Contingencies

(a) Contingent liabilities

Consolidated entity had no contingent liabilities at 30 June 2013.

(b) Contingent assets

Consolidated entity had no contingent assets at 30 June 2013.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

27. Commitments

(i) Operating leases

The Company leases its office facilities in Melbourne, Charlotte (US), Hamburg and Singen Germany. These leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the leases are renegotiated.

	Consolidated	
	2013 **$'000**	**2012** **$'000**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	874	525
Later than one year but not later than five years	472	1,335
Commitments not recognised in the financial statements	**1,346**	**1,860**
Other leases		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of rental properties	125	125

The Group has finance leases for motor vehicles with a carrying amount of $8K (2012 $37K). These leases expire within one year.

(ii) Finance leases		
Within one year	85	94
After one year but not more than five years	-	93
Total minimum lease payments	**85**	**187**

28. Share-based payments

(a) Employee Option Plan

The Group did not have any share-based payments in the full year ended 30 June 2013.

29. Related party transactions

(a) Parent entities

The ultimate parent entity in the wholly owned group is Compumedics Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 31.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 24.

(d) Transactions with related parties

Transactions between Compumedics Limited and other entities in the wholly owned group during and as at the years ended 30 June 2013 and 2012 consisted of:

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

29. Related party transactions (continued)

(d) Transactions with related parties (continued)

	Consolidated 2013 $	2012 $
Purchase of legal services from Alan Anderson Law Firm	6,773	7,736
Licence fee for a non-exclusive licence for certain intellectual property (the Licenced Rights) to D & DJ Burton Holdings Pty Ltd, an entity related to Dr. D Burton	252,821	252,821

A Director, Alan Anderson, is a partner in the American legal firm of Alan Anderson Legal Firm; prior to this he was a partner of Briggs & Morgan

The Chairman and CEO fee's are paid to D&DJ Burton Holdings Pty Ltd.

(e) Loans to/from related parties

There is a $107k loan from A. Anderson to the Company. The loan is repayable in 12 months from its inception on 7 June 2013 and carries interest payable at the rate of 15% pa paid quarterly. The loan is not secured. There are two other loans with shareholders but neither shareholder is a significant shareholder of the Company.

(f) Guarantees

No guarantees have been given or received from related parties.

(g) Terms and conditions

All transactions between related parties were made on normal commercial terms and conditions and at market rates.

30. Parent Entity Information

	2013 $'000	2012 $'000
Information relating to Compumedics Limited:		
Current assets	8,041	7,893
Total assets	10,610	12,466
Current liabilities	6,403	6,898
Total liabilities	6,430	7,030
Contributed Equity	31,270	31,019
Reserves	-	-
Accumulated losses	(27,090)	(25,583)
Total shareholders equity	**4,180**	**5,436**
Profit or loss of the parent entity	(1,256)	(3,165)
Total comprehensive income of the parent entity	(1,256)	(3,165)

The invoice-financing facilities are secured by a Corporate Guarantee and Indemnity unlimited as to amount and a Mortgage Debenture over all the assets and undertaking of the parent entity, Compumedics Limited and its subsidiaries. Further details are at Note 15.

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

31. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

	Country of incorporation	Class of shares	Equity holding 2013 %	2012 %
Compumedics Telemed Pty Ltd.	Australia	Ordinary	100	100
Compumedics Medical Innovation Pty Ltd.	Australia	Ordinary	100	100
Compumedics Cardiology Pty Ltd.	Australia	Ordinary	100	100
Compumedics USA Inc.	USA	Ordinary	100	100
Compumedics Singapore Pte Ltd.	Singapore	Ordinary	100	100
Compumedics USA Ltd. (formerly Neuroscan Ltd.)	USA	Ordinary	100	100
Compumedics Germany GmbH.	Germany	Ordinary	100	100
Cardio Sleep Services Inc.	USA	Ordinary	100	100
Compumedics France SAS	France	Ordinary	100	N/A

32. Events occurring after the reporting date

The Company is not aware of any events occurring after balance date, which would materially alter the information presented here.

33. Reconciliation of loss after income tax to net cash inflow from operating activities

	Consolidated 2013 $	2012 $
Loss for the year	(1,489)	(2,829)
Depreciation and amortisation	1,210	1,116
Net exchange differences	484	(667)
Change in deferred tax	-	928
Change in operating assets and liabilities		
(Increase) decrease in receivables	596	1,540
(Increase) decrease in inventories	(209)	444
Increase (decrease) in trade payables	(309)	398
Increase (decrease) in deferred revenues	29	514
Increase (decrease) in tax provisions	(4)	104
Increase (decrease) in other provisions	101	(33)
Net cash inflow (outflow) from operating activities	**409**	**1,515**

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

34. Loss per share

	Consolidated 2013 Cents	Consolidated 2012 Cents
(a) Basic loss per share		
Loss attributable to the ordinary equity holders of the company	(0.91)	(1.75)
(b) Diluted loss per share		
Loss attributable to the ordinary equity holders of the company	(0.91)	(1.75)

(c) Reconciliations of loss used in calculating earnings per share

	Consolidated 2013 $'000	Consolidated 2012 $'000
Basic loss per share		
Loss	(1,489)	(2,829)
Diluted loss per share		
Loss attributable to the ordinary equity holders of the company used in calculating basic loss per share	(1,489)	(2,829)
Loss attributable to the ordinary equity holders of the company used in calculating diluted loss per share	(1,489)	(2,829)

(d) Weighted average number of shares used as the denominator

	Consolidated 2013 Number	Consolidated 2012 Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	162,735,889	161,983,209
Adjustments for calculation of diluted loss per share:		
Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	162,735,889	161,983,209

(e) Information concerning the classification of securities

(i) Options

No options have been issued during the current or prior period.

Directors' Declaration

In the opinion of the directors:

(a) the financial statements and notes set out on pages 22 to 69 are in accordance with the Corporations Act 2001, including:

- (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the financial year ended on that date; and
- (iii) complying with the International Financial Reporting Standards as disclosed in note 1, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(a) the audited remuneration disclosures set out on pages 6 to 12 of the directors' report comply with the Corporations Regulations 2001.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

David Burton
Director

Melbourne
30 September 2013

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Building a better working world

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Independent auditor's report to the members of Compumedics Limited

Report on the financial report

We have audited the accompanying financial report of Compumedics Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Opinion

In our opinion:

a. the financial report of Compumedics Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates whilst the Company has raised additional funding late in the year ended 30 June 2013, the Company has produced a further operating loss in the year ending 30 June 2013. As disclosed in Note 1, the Company needs to complete back-orders on-hand to produce sufficient cash to further fund the business and short-term debt repayments. Whilst the Company has advanced these conditions, should these conditions not be achieved, along with other matters as set forth in Note 1, it would indicate the existence of material uncertainty whether the Company and its controlled entities will continue as a going concern, and therefore whether the Company and controlled entities will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in pages 6 to 12 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Compumedics Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

David Petersen
Partner
Melbourne
30 September 2013

Additional information required by Australian Stock Exchange Listing Rules and not disclosed elsewhere in this Annual Report; the information presented is at 12 September 2013.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

		Class of equity security					
		Ordinary shares	Number held	Options	Number held	Redeemable Convertible notes	Number held
100,001	and over	89	155,075,283	-	-	-	-
10,001	- 100,000	264	8,981,375	-	-	-	-
5,001	- 10,000	189	1,606,945	-	-	-	-
1,001	- 5,000	348	1,164,221	-	-	-	-
1	- 1,000	79	57,345	-	-	-	-
		969	**166,885,170**	**-**	**-**	**-**	**-**

There were 458 holders of less than a marketable parcel of ordinary shares and they hold 1,343,665 ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
D & DJ Burton Holdings Pty Ltd		59.19
Teijin Pharma Limited		4.97
Armco Barriers Pty Ltd		3.60
Beijing Bestmed Tech. LTD		2.94
Medigas Italia S.R.L		2.60
Lawson Callinan Super A/C		1.49
Electro Molecular Pty Ltd		1.22
Mr David Francis Lawson		1.12
John Tilton Pty Ltd		0.89
Benger Superannuation Pty Limited		0.72
Canucki Pty Ltd		0.71
Mr Jamie Van Netten		0.66
Andama Holding Pty Ltd		0.52
Go Go Marketing Pty Ltd		0.43
Mr Norman Mayne		0.42
Mr Bernard Knowler		0.39
IMAJ Pty Ltd		0.36
Mr Philip Steel		0.34
Southern Investments 2003 Pty Ltd		0.33
Mr Edward James Stephen Dally & Mrs Selina Dally		0.33
	138,885,268	**83.22**

Unquoted equity securities

There are no unquoted equity securities on issue	-	-

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
D & DJ Burton Holdings Pty Ltd	100,822,097	60.41 %

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Convertible redeemable notes
No voting rights.

(c) Options
No voting rights.

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