

COMPUMEDICS LIMITED

(ACN 006 854 897)

ASX final report – 30 June 2014

Lodged with the ASX under Listing Rule 4.3A

Contents

Results for Announcement to the Market

(Appendix 4E item 2)

Consolidated statement of profit or loss and other comprehensive income

(Appendix 4E item 3)

Consolidated statement of financial position

(Appendix 4E item 4)

Consolidated statement of changes in equity

(Appendix 4E item 6)

Consolidated statement of cash flows

(Appendix 4E item 5)

Notes to the consolidated financial statements

(Appendix 4E)

Other Appendix 4E Information

(Appendix 4E items 7 to 17)

For personal use only

Compumedics Limited
Financial Report
Year ended 30 June 2014
Results for Announcement to the Market

			\$'000
Revenue from ordinary activities <i>(Appendix 4E item 2.1)</i>	Up 13.6%	to	30,841
Profits before interest, tax, depreciation and amortisation	Up \$2,659	to	3,001
Profits from ordinary activities after tax attributable to members <i>(Appendix 4E item 2.2)</i>	Up \$2,398	to	909
Profits for the period attributable to members <i>(Appendix 4E item 2.3)</i>	Up \$2,398	to	909

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

Record date for determining entitlements to the dividend

n/a

(Appendix 4E item 2.5)

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

Group revenues at \$30.8m for the year ended 30 June 2014 were 13.6% higher than the prior year. The increase in revenues was partly attributable to the Company being able to ship excess sales-orders it has been carrying on hand by 30th June 2014. The Company finished the year with sales-orders on-hand of approximately \$6.0m compared to a \$7.2m backlog at the same time last year and at 31st December 2013.

The higher than expected sales orders on hand at 30th June 2014, despite the ramp up in shipping, is the result of new sales orders continuing to be booked at a run rate similar to the prior financial year.

The Company expects the run rate for new sales orders booked to increase over FY2015 as the Company continues to improve shipment turn around times back to market expectations.

Compumedics Limited
Final Report
Year ended 30 June 2014
Results for Announcement to the Market

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

EBITDA further improved over the prior year at \$3.0m for the year ended 30th June 2014, compared to the prior year EBITDA result of \$0.3m. This primarily reflects increased shipments plus improvements in margins on the shipments achieved by the Company (53% compared to 51% for the prior year) and on-going expense management.

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

The Company has and continues to move through a systematic review of its manufacturing and purchasing operations in Australia and has moved a substantive amount of its component purchasing to Asia. In addition the Company has during the last 6 months of FY2014 moved production of its neurological caps to Asia and plans to systematically move complete purchasing and production for its larger volume system production to Asia over the course of FY2015. These incremental savings will continue to accrue to the business over FY2015.

During the year ended 30 June 2014 the Company did capitalise some minor additional development costs associated with its SomniLink® SPAP® sleep-treatment technology. The intangible asset carrying value at 30 June 2014 was \$2.4m. As the Company has continued to ship small commercial quantities of the SomniLink® SPAP® the Company has continued to amortise the intangible asset during the 2014 financial year, booking a \$0.8m charge in the financial year.

For personal use only

Compumedics Limited
Final Report
Year ended 30 June 2014
Results for Announcement to the Market

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

Profits from ordinary activities after tax at \$0.9m for the year ended 30 June 2014 were a significant improvement from the \$1.5m loss recorded for the prior year.

The Company booked financing charges of \$0.6m and depreciation and amortisation of \$1.4m for the year ended 30th June 2014.

Apart from these charges the above explanation for the EBITDA result for the year ended 30th June 2014 reflects the underlying operational impacts on earnings for the full year over the prior year.

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

No dividends have been declared or paid in the period.

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

	2014	2013
Net tangible asset backing per ordinary share	3.8 cents	2.9 cents

Compumedics Limited
Consolidated statement of profit or loss and other
comprehensive income
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
Revenue from continuing operations	30,841	27,150
Other income	901	781
Cost of sales	(14,554)	(13,330)
Administration	(4,584)	(4,635)
Sales & Marketing	(5,844)	(5,905)
Research & Development	(5,158)	(5,088)
Finance costs	(611)	(414)
Net foreign exchange gain	(19)	159
Profit/(Loss) before income tax	972	(1,282)
Income tax expense	(63)	(207)
Profit/(Loss) for the full year	909	(1,489)
Profit/(Loss) attributable to members of Compumedics Limited	909	(1,489)
Net Profit/(loss) for the period	909	(1,489)
Other comprehensive income / (loss)		
Items that may be subsequently reclassified to Profit or Loss when specific conditions are met:		
Foreign currency translation	(115)	392
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	794	(1,097)
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents):		
Basic earnings per share	0.5	(1.0)
Diluted earnings per share	0.5	(1.0)

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

Compumedics Limited
Consolidated statement of financial position
as at 30 June 2014

	2014 \$'000	2013 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	1,054	1,292
Receivables	8,552	8,105
Inventories	6,145	5,498
Other	197	-
Total current assets	15,948	14,895
Non current assets		
Property, plant and equipment	672	753
Intangible assets	2,901	3,454
Non current assets	3,573	4,207
Total assets	19,521	19,102
LIABILITIES		
Current liabilities		
Payables	4,601	4,600
Borrowings	2,004	2,339
Provisions	2,219	2,139
Income tax payable	39	182
Deferred revenue	1,367	1,321
Total current liabilities	10,230	10,581
Non-current liabilities		
Borrowings	13	-
Provisions	31	27
Deferred revenues	85	126
Total non-current liabilities	129	153
Total liabilities	10,359	10,734
Net assets	9,162	8,368
EQUITY		
Contributed equity	31,269	31,269
Reserves	(695)	(580)
Retained losses	(21,412)	(22,321)
Total equity	9,162	8,368

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Compumedics Limited
Consolidated statement of changes in equity
for the full year as at 30 June 2014

	Contributed equity \$,000	Reserves \$,000	Retained Earnings \$,000	Total \$'000
Balance at 1 July 2012	31,019	(972)	(20,832)	9,215
Loss for the period	-	-	(1,489)	(1,489)
Other comprehensive income	-	392	-	392
Total comprehensive income/(loss) for the year	-	392	(1,489)	(1,097)
Transactions with owners in their capacity as owners:				
New shares issued	250	-	-	250
Balance at 30 June 2013	31,269	(580)	(22,321)	8,368
Balance at 1 July 2013	31,269	(580)	(22,321)	8,368
Profit for the period	-	-	909	909
Other comprehensive income/(loss)	-	(115)	-	(115)
Total comprehensive income/(loss) for the year	-	(115)	909	794
Transactions with owners in their capacity as owners:				
New shares issued	-	-	-	-
Balance at 30 June 2014	31,269	(695)	(21,412)	9,162

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

For personal use only

Compumedics Limited
Consolidated statement of cashflows
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
Cash flow from operating activities		
Receipts from customers (inclusive of goods and services tax)	31,564	28,185
Payments to suppliers and employees (inclusive of goods and services tax)	(30,916)	(27,969)
Interest and other costs of finance paid	(611)	(414)
Income tax paid	(212)	(207)
Receipts from grants and other income	904	781
Net cash inflow from operating activities	5	376
Cash flows from investing activities		
Payments for property, plant and equipment	(285)	(289)
Payments for intangible assets	(415)	(300)
Net cash outflow from investing activities	(700)	(589)
Cash Flows from financing activities		
Proceeds from borrowings	506	2,085
Repayment of borrowings	(706)	(1,997)
Proceeds from equity	-	250
Net cash inflow/(outflow) from financing activities	(200)	338
Net increase/(decrease) in cash and cash equivalents	(171)	125
Cash and cash equivalents at the beginning of the year	(80)	(296)
Effects of exchange rate changes on cash	-	91
Cash and cash equivalents at the end of the financial year	(251)	(80)
This is represented by:		
Cash Assets	1,054	1,292
BIBBY invoice facility (Interest bearing liabilities)	(1,305)	(1,372)
Net Cash	(251)	(80)

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

For personal use only

Compumedics Limited

Notes to the consolidated financial statements for the year ended 30 June 2014

1 Summary of significant accounting policies

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

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

(a) Basis of preparation of consolidated financial report

This preliminary consolidated financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This preliminary consolidated financial report for the year ended 30 June 2014 does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Compumedics Limited during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Stock Exchange Listing Rules.

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates

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

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

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2014

Note 2. Operating segment

Identification of reportable segments

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

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

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

Geographic locations

Americas

The Group's Americas 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, ultrasonic blood-flow systems, supplies and technical service and support. The USA business also includes the sleep diagnostic services business. Sales in the Americas are predominantly direct sales to end-user customers. The USA 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, ultrasonic 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 principal office in Singen, Germany with a second office in Hamburg Germany. The European territory includes all countries in the European region, plus all Middle Eastern countries.

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2014

Note 2. Operating segment (continued)

The Group sells all of its product offerings in this region including sleep diagnostic systems, clinical EEG systems, brain monitoring systems, ultrasonic blood-flow systems, supplies and technical service and support. The Group sells its ultrasonic blood-flow systems directly in Germany and all other products are sold via a network of distributors across the territory.

The following table represents revenue and profit information for reportable segments for the years ended 31 December 2014 and 31 December 2013.

Operating Segment
For the year ended 30 June 2014

\$'000	USA	Australia and Asia Pacific	Europe	Group
Sales to external customers	9,523	11,808	9,510	30,841
Intersegment other revenues	-	91	1,100	1,191
Intersegment sales	610	1,719	95	2,424
Total segment revenue	10,133	13,618	10,705	34,456
Inter-segment elimination	(610)	(1,810)	(1,195)	(3,615)
Total revenue per the Statement of Comprehensive Income	9,523	11,808	9,510	30,841
Segment result	(775)	1,775	1,101	2,101
Depreciation and amortisation				(1,419)
Finance cost				(611)
Other income				901
Net profit before income tax per the Statement of Comprehensive Income				972
Segment assets				
Operating assets	3,156	29,101	5,660	37,917
Intersegment eliminations	(10)	(18,327)	(59)	(18,396)
Total assets from continuing operations per the Statement of Financial Position	3,146	10,774	5,601	19,521

For personal use only

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2014

Note 2. Operating segment (continued)

Operating Segment
For the year ended 30 June 2013

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

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2014

Note 3. Dividends (Appendix 4E, Item 6)

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

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

Note 4. Events occurring after reporting date

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

For personal use only

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2014

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

	2014	2013
	\$'000	\$'000
Profit/ (Loss) for the year	909	(1,489)
Depreciation & amortisation	1,419	1,210
Net exchange differences	(453)	451
Change in operating assets and liabilities		
(Increase) Decrease in receivables	(446)	596
(Increase) Decrease in inventories	(647)	(209)
(Decrease) Increase in payables	1	(309)
Increase in deferred revenues	5	29
(Decrease) Increase in tax provisions	(143)	(4)
(Decrease) Increase in other provisions	84	101
Net cash inflow from operating activities	729	376

For personal use only

Compumedics Limited
Supplementary Appendix 4E information
for the year ended 30 June 2014

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

	2014	2013
Net tangible asset backing per ordinary share	3.8 cents	2.9 cents

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

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

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

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

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

Earnings per share

Earnings per share have increased with the underlying improvement in earnings for the Company, as already discussed.

Returns to shareholders

As per earnings per share commentary.

Significant features of operating performance

Comments already noted.

For personal use only

Compumedics Limited Supplementary Appendix 4E information for the year ended 30 June 2014

Results of segments

Primary Segments:

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

Trends in performance

The primary focus of the Company will be to continue to clear the existing backlog of sales-orders on-hand and concurrently ensure the sales-order momentum evident in the financial year to 30th June 2014 is not only maintained but built upon to further grow revenues and underlying profitability.

Other factors that affected results in the period or which are likely to affect results in the future

All material matters have been discussed.

Foreign Accounting standards *(Appendix 4E item 13)*

Not applicable.

Audit *(Appendix 4E items 15 - 17)*

This report is based on accounts that are in the process of being audited.