

# **COMPUMEDICS LIMITED**

(ACN 006 854 897)

## **ASX final report – 30 June 2016**

Lodged with the ASX under Listing Rule 4.3A

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			<b>\$'000</b>
<b>Revenue</b> from ordinary activities <i>(Appendix 4E item 2.1)</i>	Up 12% or \$4,049k	to	<b>37,544</b>
<b>Profits</b> before interest, tax, depreciation and amortisation	Up 22% or \$899k	to	<b>\$4,977</b>
<b>Profits</b> from ordinary activities after tax attributable to members <i>(Appendix 4E item 2.2)</i>	Up 66% or \$1,303k	to	<b>3,273</b>
<b>Profits</b> for the period attributable to members <i>(Appendix 4E item 2.3)</i>	Up 66% or \$1,303k	to	<b>3,273</b>

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

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

n/a
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**Explanation of Revenue** *(Appendix 4E item 2.6)*

Group revenues at \$37.5m for the year ended 30 June 2016 were 12% higher than the prior year. The increase in revenues was largely due to growth in our European and US based businesses, with invoiced and shipped sales up 77% and 8% respectively. Australia reflected a very strong year for neurological product demand, growing by 46% over the prior year, whilst Asia was down 7% reflecting delayed shipments of the new Grael LT product. These shipments have commenced in August 2016. The DWL business also grew 11% over the prior year.

The Company booked new sales orders for the year ended 30<sup>th</sup> June 2016 of \$37.4m, growth of 12% compared to new sales orders taken in the 12 months to 30<sup>th</sup> June 2015. Sales order growth was driven out of Asia, including China, and Europe at 53% and 11%, respectively. Australia at 37% reflected strong demand for the Company's neurological product range. DWL also grew sales orders taken by about 18%, over the prior year.

The Company finished the year with sales-orders on-hand of approximately \$5.2m compared to a \$5.5m at the same time last year.

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

EBITDA further improved over the prior year at \$5.0m for the year ended 30<sup>th</sup> June 2016, compared to the prior year EBITDA result of \$4.1m. This primarily reflects increased shipments, whilst margins were similar to the same time last year reflecting product mix, skewed towards lower margin sales in France and also delays, with product and shipment of the new Graeal low-cost platform, now resolved, with shipments having commenced in August 2016.

The EBITDA result also reflects specific increases in investment related to the new generation growth platforms, which will start to generate incremental revenues and margin over the course of FY2017.

The Company has and will continue to move through a systematic review of its manufacturing and purchasing operations in Australia. The Company has successfully completed the movement of its main sleep and neurological hardware platforms to third party manufacture in Australia, which together with the movement of its neurological cap production to Asia in late FY2015, will allow for further productivity gains over the course of FY2017. The Company is continuing to assess the most economical way to streamline the logistical side of the business now that the transition of manufacturing to outside parties is about 60% complete, in order to reduce duplicate activities and associated costs, with moving product from manufacturing points to our main markets.

During the year ended 30 June 2016 the Company did capitalise some development costs (\$0.9m) associated with its new Somfit sleep monitoring platform and its new sleep-treatment technology. The combined intangible asset carrying value at 30 June 2016 was \$2.4m. As the Company has continued to ship small commercial quantities of the existing SomniLink® SPAP® the Company has continued to amortise the intangible asset during the 2016 financial year, booking a \$1.5m charge in the financial year.

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

Profits from ordinary activities after tax at \$3.3m for the year ended 30 June 2016 were a significant improvement from the \$2.0m profit recorded for the prior year.

The Company booked financing charges of \$0.4m, a substantial improvement on the \$0.7m for the prior year. Depreciation and amortisation was \$1.7m for the year ended 30 June 2016 compared to \$1.4m in the prior year.

The Company also booked a deferred tax asset in relation to deductible temporary differences amounting to \$514,895.

Apart from these charges the above explanation for the EBITDA result for the year ended 30<sup>th</sup> June 2016 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)*

	2016	2015
Net tangible asset backing per ordinary share	6.9 cents	5.2 cents

**Compumedics Limited**  
**Consolidated statement of profit or loss and other**  
**comprehensive income**  
**for the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
<b>Revenue from continuing operations</b>	<b>37,544</b>	<b>33,495</b>
Other income	729	767
Cost of sales	(17,621)	(15,453)
Administration	(5,292)	(4,797)
Sales & Marketing	(6,817)	(6,801)
Research & Development	(5,363)	(4,757)
Finance costs	(405)	(675)
Net foreign exchange gain	31	232
<b>Profit before income tax</b>	<b>2,806</b>	<b>2,011</b>
Income tax expense	467	(41)
<b>Profit for the full year</b>	<b>3,273</b>	<b>1,970</b>
Profit attributable to members of Compumedics Limited	3,273	1,970
<b>Net Profit for the year</b>	<b>3,273</b>	<b>1,970</b>
<b>Other comprehensive income / (loss)</b>		
Items that may be subsequently reclassified to Profit or Loss when specific conditions are met:		
Foreign currency translation	(95)	136
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>3,178</b>	<b>2,106</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents):</b>		
Basic earnings per share	1.9	1.2
Diluted earnings per share	1.9	1.2

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

**Compumedics Limited**  
**Consolidated statement of financial position**  
**as at 30 June 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,066	2,230
Receivables	11,934	9,758
Inventories	6,510	5,719
Other	856	501
<b>Total current assets</b>	<b>22,366</b>	<b>18,208</b>
<b>Non-current assets</b>		
Deferred tax asset	515	-
Property, plant and equipment	832	797
Intangible assets	2,409	2,670
<b>Non-current assets</b>	<b>3,756</b>	<b>3,467</b>
<b>Total assets</b>	<b>26,122</b>	<b>21,675</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	4,122	4,172
Borrowings	2,565	2,002
Provisions	2,762	2,585
Income tax payable	49	60
Deferred revenue	1,669	1,388
<b>Total current liabilities</b>	<b>11,167</b>	<b>10,207</b>
<b>Non-current liabilities</b>		
Borrowings	11	-
Provisions	8	11
Deferred revenues	340	189
<b>Total non-current liabilities</b>	<b>359</b>	<b>200</b>
<b>Total liabilities</b>	<b>11,526</b>	<b>10,407</b>
<b>Net assets</b>	<b>14,596</b>	<b>11,268</b>
<b>EQUITY</b>		
Contributed equity	31,419	31,269
Reserves	(654)	(559)
Retained losses	(16,169)	(19,442)
<b>Total equity</b>	<b>14,596</b>	<b>11,268</b>

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 ended 30 June 2016**

	Contributed equity \$,000	Reserves \$,000	Retained Earnings \$,000	Total \$'000
<b>Balance at 1 July 2014</b>	<b>31,269</b>	<b>(695)</b>	<b>(21,412)</b>	<b>9,162</b>
Profit for the year	-	-	1,970	1,970
Other comprehensive income / (loss)	-	136	-	136
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>136</b>	<b>1,970</b>	<b>2,106</b>
<b>Transactions with owners in their capacity as owners:</b>				
New shares issued	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>31,269</b>	<b>(559)</b>	<b>(19,442)</b>	<b>11,268</b>
<b>Balance at 1 July 2015</b>	<b>31,269</b>	<b>(559)</b>	<b>(19,442)</b>	<b>11,268</b>
Profit for the year	-	-	3,273	3,273
Other comprehensive income	-	(95)	-	(95)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(95)</b>	<b>3,273</b>	<b>3,178</b>
<b>Transactions with owners in their capacity as owners:</b>				
New shares issued	150	-	-	150
<b>Balance at 30 June 2016</b>	<b>31,419</b>	<b>(654)</b>	<b>(16,169)</b>	<b>14,596</b>

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

**Compumedics Limited**  
**Consolidated statement of cashflows**  
**for the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
<b>Cash flow from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	36,479	32,721
Payments to suppliers and employees (inclusive of goods and services tax)	(34,526)	(30,603)
Interest and other costs of finance paid	(405)	(675)
Income tax paid	(47)	(12)
Receipts from grants and other income	731	771
<b>Net cash inflow from operating activities</b>	<b>5</b>	<b>2,232</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(304)	(393)
Payments for intangible assets	(1,235)	(887)
<b>Net cash outflow from investing activities</b>	<b>(1,539)</b>	<b>(1,280)</b>
<b>Cash Flows from financing activities</b>		
Proceeds from borrowings	2,050	1,316
Repayment of borrowings	(2,399)	(782)
Proceeds from equity	150	-
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(199)</b>	<b>534</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>494</b>	<b>1,456</b>
Cash and cash equivalents at the beginning of the year	1,350	(319)
Effects of exchange rate changes on cash	75	213
<b>Cash and cash equivalents at the end of the financial year</b>	<b>1,919</b>	<b>1,350</b>
<b>This is represented by:</b>		
Cash Assets	3,066	2,230
Invoice facility and overdraft (Interest bearing liabilities)	(1,147)	(880)
<b>Net Cash</b>	<b>1,919</b>	<b>1,350</b>

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



# **Compumedics Limited**

## **Notes to the consolidated financial statements for the year ended 30 June 2016**

### **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.

#### **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 2016 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 2016 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 2016**

## **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 2016**

**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 30 June 2016 and 30 June 2015.

**Operating Segment**  
**For the year ended 30 June 2016**

<b>\$'000</b>	<b>USA</b>	<b>Australia and Asia Pacific</b>	<b>Europe</b>	<b>Group</b>
Sales to external customers	11,534	15,768	10,242	37,544
Intersegment other revenues	687	3,327	643	4,657
Intersegment sales	-	-	-	-
<b>Total segment revenue</b>	<b>12,221</b>	<b>19,095</b>	<b>10,885</b>	<b>42,201</b>
Inter-segment elimination	687	3,327	643	4,657
<b>Total revenue per the Statement of Comprehensive Income</b>	<b>11,534</b>	<b>15,768</b>	<b>10,242</b>	<b>37,544</b>
<b>Segment result</b>	<b>220</b>	<b>2,937</b>	<b>1,820</b>	<b>4,977</b>
Depreciation and amortisation				(1,766)
Finance cost				(405)
<b>Other income</b>				-
<b>Net profit before income tax per the Statement of Comprehensive Income</b>				<b>2,806</b>
<b>Segment assets</b>				
Operating assets	5,144	40,394	6,711	52,249
Intersegment eliminations	(7)	(26,055)	(65)	(26,127)
<b>Total assets from continuing operations per the Statement of Financial Position</b>	<b>5,137</b>	<b>14,339</b>	<b>6,646</b>	<b>26,122</b>

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**Note 2. Operating segment (continued)**

**Operating Segment**  
**For the year ended 30 June 2015**

<b>\$'000</b>	<b>USA</b>	<b>Australia and Asia Pacific</b>	<b>Europe</b>	<b>Group</b>
Sales to external customers	10,715	14,171	8,609	33,495
Other revenues	1,190	4,194	491	5,875
Intersegment sales	-	88	1,379	1,467
<b>Total segment revenue</b>	<b>11,905</b>	<b>18,453</b>	<b>10,479</b>	<b>40,837</b>
Inter-segment elimination	(1,190)	(4,282)	(1,870)	(7,342)
<b>Total revenue per the Statement of Comprehensive Income</b>	<b>10,715</b>	<b>14,171</b>	<b>8,609</b>	<b>33,495</b>
<b>Segment result</b>	<b>(1,086)</b>	<b>4,208</b>	<b>956</b>	<b>4,078</b>
Depreciation and amortisation				(1,392)
Finance costs				(675)
<b>Other income</b>				-
<b>Net loss before income tax per the Statement of Comprehensive Income</b>				<b>2,011</b>
<b>Segment assets</b>				
Operating assets	5,091	35,159	6,076	46,326
Intersegment eliminations	(9)	(24,578)	(64)	(24,651)
<b>Total assets from continuing operations per the Statement of Financial Position</b>	<b>5,082</b>	<b>10,581</b>	<b>6,012</b>	<b>21,675</b>

**Compumedics Limited**  
**Notes to the consolidated financial statements**  
**for the year ended 30 June 2016**

**Note 3. Dividends** (Appendix 4E, item 7)

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

**Dividend/distribution reinvestment plans** *(Appendix 4E item 8)*  
**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.

**Compumedics Limited**  
**Notes to the consolidated financial statements**  
**for the year ended 30 June 2016**

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

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit/(Loss) for the year	3,273	1,970
Depreciation & amortisation	1,766	1,392
Net exchange differences	485	(442)
<b>Change in operating assets and liabilities</b>		
(Increase) in receivables	(2,176)	(1,206)
(Increase) Decrease in inventories	(791)	425
(Increase) in other current assets	(515)	-
(Increase) in deferred tax assets	(355)	-
Decrease in payables	(50)	(429)
Increase in deferred revenues	432	216
Increase (Decrease) in tax provisions	(11)	21
Increase in other provisions	174	255
<b>Net cash inflow from operating activities</b>	<b>2,232</b>	<b>2,202</b>

**Compumedics Limited**  
**Supplementary Appendix 4E information**  
**for the year ended 30 June 2016**

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

	2016	2015
Net tangible asset backing per ordinary share	6.9 cents	5.2 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.

# **Compumedics Limited**

## **Supplementary Appendix 4E information**

### **for the year ended 30 June 2016**

#### ***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, businesses have grown, with Australia stable.

#### ***Trends in performance***

The primary focus of the Company will be to ensure that the sales-order momentum evident in the financial year to 30<sup>th</sup> June 2016 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.