

COMPUMEDICS LIMITED

(ACN 006 854 897)

ASX Half-year information – 31 December 2004

Lodged with the ASX under Listing Rule 4.2A.3

This information should be read in conjunction with the
30 June 2004 Annual Report.

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Compumedics Limited
Half Year ended 31 December 2004

(Previous corresponding period:
Half Year ended 31 December 2003)

Results for Announcement to the Market

				\$'000
Revenue from ordinary activities <i>(Appendix 4D item 2.1)</i>	up/down	11%	to	19,229
Profit/(loss) from ordinary activities after tax attributable to members <i>(Appendix 4D item 2.2)</i>	n/a	n/a	to	(895)
Net profit/(loss) for the period attributable to members <i>(Appendix 4D item 2.3)</i>	n/a	n/a	to	(895)

Dividends/distributions <i>(Appendix 4D item 2.4)</i>	Amount per security	Franked amount per security
Final dividend (prior year)	0.5¢	0.5¢

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

29 Nov 04

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

Revenue for the six months ended 31 December 2004 was \$19.2m, an 11% increase over the six months ended 31 December 2003. Excluding the effect of the DWL acquisition the existing business sales of \$16.8m were 3% lower than for the same time last year.

The existing business sales were impacted by delays in release of new products for the core business, which were factored into the current year financial plans and also a number of orders that were expected in Q2 that did not eventuate.

The acquisition of the DWL business in Europe also diverted attention from the core business as it was integrated into the group from September 1, 2004.

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

The loss after tax of \$0.9m compares with a profit of \$1.1m for the previous corresponding period. The loss is the result of an unfavourable movement in the USD during the six month period which has led to a \$0.8m charge to the statement of financial performance for the revaluation of US based assets and a \$0.2m charge for the revaluation of other USD denominated assets.

The business has also incurred \$0.3m in operating charges related to the acquisition of DWL in the six month period.

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

At the Annual General Meeting of the company held on October 21, 2004, the company declared a dividend of 0.5 cents per share. The dividend was paid on December 20, 2004.

The dividend represented a total return of \$0.7m based on 140,000,000 ordinary shares being on issue at the rate of 0.5 cents dividend per share.

The company in line with its current dividend policy does not intend to declare a further dividend at this time.

Compumedics Limited
Half Year report - 31 December 2004

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Compumedics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

Interim Report – 31 December 2004

Your directors present their report on the consolidated entity consisting of Compumedics Limited and the entities it controlled at the end of, or during the half-year ended 31 December 2004.

Directors

The following persons were directors of Compumedics Limited during the whole of the half-year and up to the date of this report.

D. Burton
K. Koike
A. Anderson
G. Mitchell

Mr. John Dyson retired as a Director of the company at the Annual General Meeting on October 21, 2004. Mr. Bruce Rathie was elected as a Director of the company at the Annual General Meeting on October 21, 2004.

Review of Operations

A summary of consolidated revenues and results for the half year is set out below:

	6 mths ended Dec 2004	6 mths ended Dec 2003	Change %
Operating Revenue (A\$'000)	19,229	17,313	11%
Total Revenue (A\$'000)	19,402	17,396	12%
Earnings before Interest and Tax (A\$'000)	(823)	1,142	n/a
Profit After Tax (A\$'000)	(895)	1,058	n/a
Earnings Per Share (cents)	(0.64)¢	0.76¢	n/a
Diluted Earnings Per Share (cents)	(0.64)¢	0.75¢	n/a

Comments on the operations are as follows:

Regional Performance

The Neuroscan business in Rest of World grew by 15% over the corresponding previous 6 month period reflecting on-going demand for brain products in that part of the world.

The sleep business in the USA continued to grow posting a 9% growth over the corresponding previous 6 month albeit at a much lower rate than panned. This reflected slower than expected growth in some newer territories.

The Neuroscan business in the USA declined by 38% reflecting timing issues with the receiving of government research funds by the traditional customer base of the Neuroscan business.

The consumables businesses in both the USA and rest of world grew by 27% and 13% as a result of marketing initiatives in these area's.

Rounding of amounts to nearest thousand dollars

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

Auditors Independence

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.



D. Burton
Executive Chairman

Melbourne
18 February,, 2005

PricewaterhouseCoopers
ABN 52 780 433 757

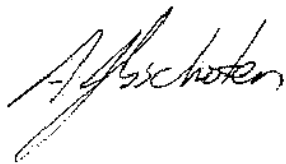
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Auditors' Independence Declaration

As lead auditor for the review of Compumedics Limited for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Compumedics Limited and the entities it controlled during the period.



Anton Linschoten
Partner
PricewaterhouseCoopers

Melbourne
18 February 2005

Compumedics Limited
Consolidated statement of financial performance
For the six months ended 31 December 2004

Notes	2004 \$'000	2003 \$'000
Revenue from ordinary activities		
Revenue from sale of goods and services	19,229	17,313
Other revenue from operating activities	173	83
	19,402	17,396
Expenses from ordinary activities		
Cost of sales	(8,348)	(7,045)
Administration	(2,694)	(1,800)
Sales & Marketing	(4,121)	(3,400)
Research & Development	(3,430)	(3,290)
Borrowing costs	(238)	(92)
Depreciation Charge	(437)	(251)
Net foreign exchange loss	(1,027)	(468)
Profit from ordinary activities before income tax (benefit) / expense	(893)	1,050
Income tax (benefit) / expense	3	2
	(895)	1,058
Profit from ordinary activities after income tax expense (benefit)	(895)	1,058
Net Profit attributable to members of Compumedics Limited	(895)	1,058
Total changes in equity other than those resulting from transactions with owners as owners	(895)	1,058
Earnings per share (cents):		
Basic	(0.64)¢	0.76¢
Diluted	(0.64)¢	0.75¢

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

Compumedics Limited
Consolidated statement of financial position
as at 31 December 2004

	31 December 2004 \$'000	As reported in the Annual Report at 30 June 2004 \$'000	31 December 2003 \$'000
CURRENT ASSETS			
Cash assets	4,692	6,352	6,396
Receivables	10,304	10,239	7,682
Inventories	7,665	6,481	7,523
Other	212	69	76
TOTAL CURRENT ASSETS	22,873	23,141	21,677
NON-CURRENT ASSETS			
Receivables Non Current	64	-	-
Property, plant and equipment	1,501	1,368	954
Intangible assets	1,042	-	-
NON-CURRENT ASSETS	2,607	1,368	954
TOTAL ASSETS	25,480	24,509	22,631
CURRENT LIABILITIES			
Payables	5,529	4,614	3,242
Interest bearing liabilities	1,107	1,884	2,753
Current tax liabilities	67	55	49
Provisions	385	346	742
Other	951	1,330	1,347
TOTAL CURRENT LIABILITIES	8,039	8,229	8,133
NON CURRENT LIABILITIES			
Interest bearing liabilities	4,908	2,122	1,601
Provisions	171	198	163
Other Non-Current Liabilities	12	15	-
TOTAL NON-CURRENT LIABILITIES	5,091	2,335	1,764
TOTAL LIABILITIES	13,130	10,564	9,897
NET ASSETS	12,350	13,945	12,734
EQUITY			
Contributed equity	29,020	29,020	29,147
Retained profits	(16,670)	(15,075)	(16,413)
TOTAL EQUITY	12,350	13,945	12,734

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

Compumedics Limited
Consolidated statement of cash flow
For the six months ended 31 December 2004

	2004 \$'000	2003 \$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of goods and services tax)	19,258	18,332
Payments to supplies and employees (inclusive of goods and services tax)	(18,601)	(16,695)
	<u>657</u>	<u>1,637</u>
Interest received	120	82
Other revenue	42	-
Interest and other costs of finance paid	(175)	(92)
Income tax refund	-	78
Net cash inflow (outflow) from operating activities	644	1,705
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(131)	(56)
Payments for purchase of controlled entity, net of cash acquired	(2,579)	-
Net cash inflow (outflow) from investing activities	(2,710)	(56)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2,622	2,503
Repayments of finance leases	(52)	(43)
Repayment of borrowings	(1,430)	(2,960)
Dividend Paid	(610)	-
Net cash inflow (outflow) from financing activities	530	(500)
NET INCREASE (DECREASE) IN CASH HELD	(1,536)	1,149
Cash at the beginning of the year	6,352	5,366
Effects of exchange rate changes on cash	(124)	(119)
CASH AT THE END OF THE PERIOD ⁽¹⁾	4,692	6,396

⁽¹⁾The cash balance at 31 Dec 04 includes \$1.4 million held as a term deposit, which is restricted as a guarantee against loan balances.

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

Compumedics Limited
Notes to the consolidated financial statements
For the six months ended 31 December 2004

Note 1. Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2003 and any public announcements made by Compumedics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue AASB equivalents to IFRS, and Urgent Issues Group abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. These Australian pronouncements will be known as Australian International Financial Reporting Pronouncements (AIFRPs). The adoption of AIFRPs will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

The Group has established a project team to manage the transition to AIFRPs, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the CFO and reports to the audit committee. The team is preparing a detailed timetable for managing the transition to AIFRPs and is currently on schedule. To date the project team has analysed most of the AIFRPs and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under AASB 1 *First-time Adoption of Australian International Financial Reporting Pronouncements*. Some of these choices are still being analysed to determine the most appropriate accounting policy for the Group.

Major changes identified to date that will be required to the Group's existing accounting policies include the following:

- (i) *Income tax*
Under the Australian equivalent to IAS 12 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.
This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.
- (ii) *Intangible assets - goodwill*
Under the Australian equivalent to IFRS 3 *Business Combinations*, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.
This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years.
- (iii) *Equity-based compensation benefits*
Under the Australian equivalent to IFRS 2 *Share-based Payment*, equity-based compensation to employees will be recognised as an expense in respect of the services received.
This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AIFRPs, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to AIFRPs on the Group's financial position and reported results.

Compumedics Limited
Notes to the consolidated financial statements
For the six months ended 31 December 2004

Note 2. Segment information

Primary reporting – business segments
31 December 2004

						\$'000
	Sleep	Neuroscan	Neuroscience	NMS*	Unallocated/ Elimination	Group
Total segment revenue	9,016	5,012	3,300	1,901	-	19,229
SEGMENT RESULT	(602)	(211)	59	(69)	-	(823)
Net Interest expense/(income)						70
Tax expense/(benefit)						2
Profit from ordinary activities after income tax expense						(895)

31 December 2003

						\$'000
	Sleep	Neuroscan	Neuroscience	NMS	Unallocated/ Elimination	Group
Total segment revenue	8,994	5,586	1,283	1,450	-	17,313
SEGMENT RESULT	511	353	72	70	-	1,006
Net Interest expense/(income)						(44)
Tax expense/(benefit)						(8)
Profit from ordinary activities after income tax (benefit)						1,058

* NMS = Neuro Medical Supplies

Compumedics Limited
Notes to the consolidated financial statements
For the six months ended 31 December 2004

Note 3. Income tax expense

	2004	2003
	\$'000	\$'000
The income tax expenses for the financial period differs from the amount calculated on the profit.		
The differences are reconciled as follows:		
Profit from ordinary activities before income tax expense / (benefit)	(893)	1,058
Income tax calculated @ 30%	(268)	317
Tax effect of permanent differences		
25% Non-grant R&D loading / allowance	(136)	(141)
Other permanent differences	5	9
Utilisation of prior year tax losses	-	(193)
Tax losses not brought to account	401	-
	2	(8)
Under (over) provision in previous year	-	-
Aggregate income tax expense / (benefit)	2	(8)

Note 4. Acquisition of controlled entity

On 1 September 2004 the company acquired the DWL business, a company that is involved in the development, manufacture and sale of Trans Cranial Doppler (TCD) products. The company is based in Singen Germany and was purchased by Compumedics German based subsidiary company, Compumedics Germany GmbH. At that time EUR1.5m was paid for the assets and intellectual property of the business. The acquisition price was debt funded and is repayable over a period up to six years. The operating results of this newly controlled entity have been included in the consolidated statement of financial performance since the date of acquisition.

Details of the acquisition are as follows:

	\$'000
Fair value of identifiable net assets of acquired	
Plant and equipment	105
Inventories	1,456
Patents	223
Trademarks	275
	2,059
Goodwill on consolidation	520
Cash consideration	2,579

Compumedics Limited
Notes to the consolidated financial statements
For the six months ended 31 December 2004

Note 5. Dividends

	Parent entity 31 December	
	2004 \$'000	2003 \$'000
Ordinary shares		
Final dividend for the year ended 30 June 2004 of 0.5 cents (2003 – nil) per fully paid share paid December 20, 2004 Fully franked based on tax paid @ 30%	700	Nil
Paid in cash	700	Nil
Satisfied by issue of shares	Nil	Nil

Note 6. Event occurring after reporting date

The Company is not aware at the date of release of this information of any event that has occurred since reporting date that would impact the financial performance of or financial position of Compumedics Limited as reported.

Note 7. Financing facilities

Following the annual review of the company's financing facilities with the ANZ Bank the following amendments have been made:

1. testing of financial covenants related to these facilities has been changed from testing on a quarterly basis to testing at June 30 and December 31 of each year.
2. the loan facilities related to the acquisition of the Neuroscan and DWL businesses have been extended from a repayment period of 3 years to a repayment period of 6 years, with a moratorium on principal repayments for the 2005 calendar year. As a result \$2.24m of debt that was due in the 2005 calendar year has been reclassified as non-current interest bearing liabilities from current interest bearing liabilities.

Compumedics Limited
Directors' Declaration
For the six months ended 31 December 2004

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 14 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 31 December 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that Compumedics Limited will be able to pay its debts as and when they become due and payable.

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



David Burton
Executive Chairman
Melbourne
18 February, 2005

Independent review report to the members of Compumedics Limited

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Compumedics Limited (the Company) for the half-year ended 31 December 2004 included on Compumedics Limited's web site. The Company's directors are responsible for the integrity of the Compumedics Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Compumedics Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Compumedics Group (defined below) as at 31 December 2004 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Compumedics Group (the consolidated entity), for the half-year ended 31 December 2004. The consolidated entity comprises both Compumedics Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing.

Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

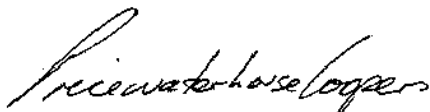
These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



Anton Linschoten
Partner

Melbourne
18 February 2005

Compumedics Limited
Supplementary Appendix 4D information

NTA Backing *(Appendix 4D item 3)*

	2004	2003
Net tangible asset backing per ordinary share	8.0 cents	9.1 cents

Additional dividend/distribution information ² *(Appendix 4D item 5)*

Details of dividends/distributions declared or paid during or subsequent to the year ended 31 December 2004 are as follows:

Record date	Payment date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
November 29, 2004	December 20, 2004	Ord	0.5 cents	700,000	700,000	N/A

Dividend/distribution reinvestment plans *(Appendix 4D item 6)*

NOT APPLICABLE

Compumedics Limited
Supplementary Appendix 4D information

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

Profits after tax for the 6 months to December 31, 2004 at \$0.9m loss compared to a \$1.1m profit for the previous corresponding period.

The major factors affecting this result are:

- (a) a charge of \$0.8m related to the revaluation of the US subsidiary as a result of the depreciating US dollar to the Australian dollar. The Australian dollar to the US dollar for the 6 months to December 31, 2004 averaged 0.7326 compared to 0.6863 for the 6 months to December 31, 2003. As a result the US subsidiary is worth less in Australian dollars resulting in a \$0.8m charge. This is a non-cash charge to the statement of financial performance.
- (b) A once-off charge of \$0.3m for costs associated with the acquisition of the DWL business.

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

The major impact on the assets and liabilities of the business was the purchase of the DWL business on September 1, 2004. At that time Eur1.5m was paid for the assets and intellectual property of the business. The acquisition price was debt funded and is repayable over up to six years.

The assets purchased are:

Inventory	Eur 0.8m	Aud 1.5m
Fixed Assets	Eur 0.1m	Aud 0.1m
Intellectual Property	Eur 0.6m	Aud 1.0m
Total	Eur 1.5m	Aud 2.6m

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

Operating cash for the six months to December 31, 2004 was \$0.6m. Net cash at \$4.7m for the six months to December 31, 2004 was \$1.7m less than at December 31, 2003 as a result of:

- (a) Loan repayments of \$1.4m were made during the 6 months
- (b) Dividends to shareholders of \$0.6m.