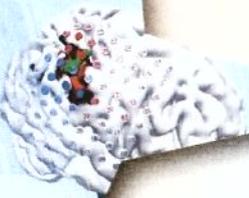


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25 YEARS OF DIAGNOSTICS EXCELLENCE

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Compumedics Limited

ABN 95 006 854 897



Annual Financial Statements
for the year ended 30 June 2012

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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 13. 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 National Sales Manager USA Robert Daspit Vice President Marketing, USA Jeff Kuznia 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 1 November 2012
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

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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 2012.

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 (2011: 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	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
USA	9,920	9,689	(1,673)	(1,810)
Australia and Asia Pacific	10,279	11,243	1,623	895
Europe	7,716	9,925	(692)	1,109
Total continuing operations	27,915	30,857	(742)	194
Depreciation and amortisation			(1,116)	(955)
Finance costs			(515)	(414)
Other income			586	408
Profit before income tax expense			(1,787)	(767)
Income tax (expense) / benefit			(1,042)	848
Profit (Loss) for the year			(2,829)	81

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

During the year ended 30th June 2012 the Company took sales orders of \$32.0m and with sales orders carried forward from the prior year of \$2.2m was in a position to potentially ship \$34.2m in sales. The Company did not achieve this, as a consequence of restricted working capital, and only shipped \$27.9m. This resulted a loss after tax for the year of \$2.8m, and record carried forward sales-orders of \$6.4m at 30th June 2012.

(a) USA

Total US revenues were USD10.2m (AUD9.9m) for the year ended 30 June 2012 compared to USD9.4m (AUD9.7m) for the prior year. The increased sales revenue in the US does not reflect fully the significant lift in sales orders taken in the US, which did not ship by 30th June 2012. The US business increased sales across all sectors of the business for the year ended 30th June 2012.

(b) Asia Pacific

Australian and Asia Pacific revenues for the year ended 30 June 2012 were \$10.3m compared to \$11.2m for the prior year. Revenues in this region were primarily impacted by the inability to ship all orders received by 30th June 2012. The Australian, Chinese and other Asian countries performed well for the year ended 30th June 2012.

(c) Europe

European revenues for the year ended 30 June 2012 were also impacted by the inability to ship all orders received by 30th June 2012.

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 Company is currently in the final stages of implementing new debt facilities, which it plans to have in place by the end of October 2012. The new debt facilities will replace the Company's current bank debt facilities. At the date of this report settlement had not occurred on the new debt facilities, however, the Directors fully expect settlement will take place before the end of October 2012, the date the current bank debt facilities are due to be repaid. The Directors are also seeking additional new equity into the business and whilst discussions with certain parties are well advanced these arrangements have not been finalised at the date of this report. The Directors fully expect these activities to be successful in a timely manner so as to ensure the business is properly funded to achieve its current financial and operational forecasts.

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 in these financial statements because the directors believe it would be likely to result in unreasonable prejudice to 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 53.

Experience and expertise

Founder and major shareholder of Compumedics. Extensive experience in the development, design, manufacture and sale of medical devices and the development of the business.

Other current directorships

Intellirad Pty Ltd
D&DJ Burton Holdings 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

100,822,097 ordinary shares in Compumedics Limited
Nil options over ordinary shares in Compumedics Limited

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Dr. Graham Mitchell AO Independent Non-Executive Director, Age 71.*Experience and expertise*

Substantial scientific and academic qualifications coupled with significant directorship experience.

Other current directorships

Antisense Therapeutics Ltd
AgVic Services Pty Ltd
Adelaide Research and Innovation Pty Ltd
Avipep Pty Ltd

Former directorships in last 3 years

Geoffrey Gardner Dairy Foundation

Special responsibilities

Member of the Remuneration Committee

Interests in shares and options

None

Alan Anderson Non-Executive Director, Age 56.*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.

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 2012, 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	9	9	2	2	1	1
Dr. Graham Mitchell	9	9	-	-	1	1
Mr. Alan Anderson	9	9	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 reward. 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.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

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.

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 Board has also considered the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. 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.

A Principles used to determine the nature and amount of remuneration (continued)*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 2011 to 30 June 2012 \$	From 1 July 2010 to 30 June 2011 \$
Base fees		
Chairman	Nil	Nil
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. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. 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 and tax advisory services.

Superannuation

Retirement benefits are currently limited to statutory superannuation. Executives may elect to salary sacrifice to superannuation funds of their choice.

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.

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

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 2012, 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 2012 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.

Medical Innovation Long Term Performance Plan (MI-LTPP)

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 2012 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.

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 2012.

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 3 to 4 above) and those executives that report directly to the Chief Executive Officer being:

- David Lawson
- Warwick Freeman
- Kerry Hubick
- Jeff Kuznia
- Robert Daspit
- Christoph Witte

Remuneration of key management personnel and other executives of the Group

2012	Short-term benefits			Post-employment benefits		Long term benefits	Share based payments	Total
	Cash salary and fees	Cash bonus	Non monetary benefits	Super-annuation	Retirement benefits	Long service leave	Options	
Name	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive directors</i>								
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
<i>Executive Chairman</i>								
David Burton and/or associated entities	50,000	-	-	-	-	-	-	50,000
<i>Executive Director & CEO</i>								
David Burton and/or associated entities	402,821	-	-	-	-	-	-	402,821
<i>Other key management personnel</i>								
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	1,691,831	22,971	10,982	77,596	-	16,311	-	1,819,691

B Details of remuneration (continued)

2011	Short-term benefits			Post-employment benefits		Long term benefits	Share based payments	Total \$
	Cash salary and fees \$	Cash bonus \$	Non monetary benefits \$	Super-annuation \$	Retirement benefits \$	Long service leave \$	Options \$	
<i>Non-executive directors</i>								
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
<i>Executive Chairman</i>								
David Burton and/or associated entities	50,000	-	-	-	-	-	-	50,000
<i>Executive director and CEO</i>								
David Burton and/or associated entities	402,821	-	-	-	-	-	-	402,821
<i>Other key management personnel</i>								
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	-	6,408	-	196,983
Andrew Kegele ^Λ	141,912	23,870	-	13,443	-	(763)	-	178,462
Jeff Kuznia	201,171	-	5,616	-	-	-	-	206,787
Robert Daspit **	34,769	-	6,668	-	-	-	-	41,437
Christoph Witte	196,151	-	11,931	20,710	-	-	-	228,792
Curtis Ponton	168,677	5,299	15,154	-	-	-	-	189,130
Total key management personnel compensation	1,886,106	29,169	39,369	92,481	-	14,163	-	2,061,288

^Λ Andrew Kegele resigned from Compumedics on 9 June 2011

** Robert Daspit joined the company from 4 April 2011

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	
	2012 %	2011 %	2012 %	2011 %	2012 %	2011 %
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	100	100	-	-	-	-
Warwick Freeman	100	100	-	-	-	-
Kerry Hubicik	100	100	-	-	-	-
Andrew Kegele	-	89	-	19	-	-
Other key management personnel of the Group						
Christoph Witte	95	95	5	5	-	-
Curtis Ponton	-	89	-	11	-	-
Jeff Kuznia	100	97	-	3	-	-
Robert Daspit	100	84	-	16	-	-

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 2012. As such no other executive was eligible for a cash bonus and as a consequence did not forfeit a cash bonus.

Name	Cash bonus	
	Paid %	Forfeited %
Christoph Witte	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, including fees for early phase developmental activities related to formative new technologies, for the year ended 30 June 2012 of AUD452,821, 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.
- Performance bonus: no performance bonus was paid during the financial year. (2011: Nil).
- Review of last salary -1 July 2011
- David Burton does not have a formal service agreement.

David Lawson, Chief Financial Officer/Company Secretary

- Base salary inclusive of superannuation, for the year ended 30 June 2012 of AUD 242,929 to be reviewed annually by the remuneration committee.
- Performance bonus: no performance bonus was paid during the financial year. (2011: NIL)
- Review of last salary -1 July 2011
- 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 2012 of AUD242,929 to be reviewed annually by the remuneration committee
- Review of last salary -1 July 2011
- 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 2012 of AUD190,575, to be reviewed annually by the remuneration committee.
- Review of last salary -1 July 2011
- 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.

C Service agreements (continued)

Robert Daspit, National Sales Manager Compumedics USA

- Base salary inclusive of US benefits for the year ended 30 June 2012 of USD170,619 to be reviewed annually by the CEO.
- Performance bonus – no performance bonus was paid during the financial year.
- Review of last salary – not applicable
- 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.

Jeff Kuznia, Vice President Marketing Compumedics USA

- Base salary inclusive of US benefits for the year ended 30 June 2012 of USD193,524, to be reviewed annually by the CEO.
- Performance bonus – no performance bonus was paid during the financial year.
- Review of last salary – July 2011
- 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 2012 of EUR165,780, to be reviewed annually by the remuneration committee.
- Car Allowance of EUR8,461
- Performance bonus – a performance bonus of EUR17,699 was paid during the financial year. (2011: NIL)
- Review of last salary -1 January 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:

- 20% of each new tranche vests and is exercisable at the 1st anniversary date of the grant
- 30% of each new tranche vests and is exercisable at the 2nd anniversary date of the grant
- 50% of each new tranche vests and is exercisable at the 3rd anniversary date of the grant and 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 2012. Unissued ordinary shares in Compumedics Limited under option at the date of this report held by directors are Nil.

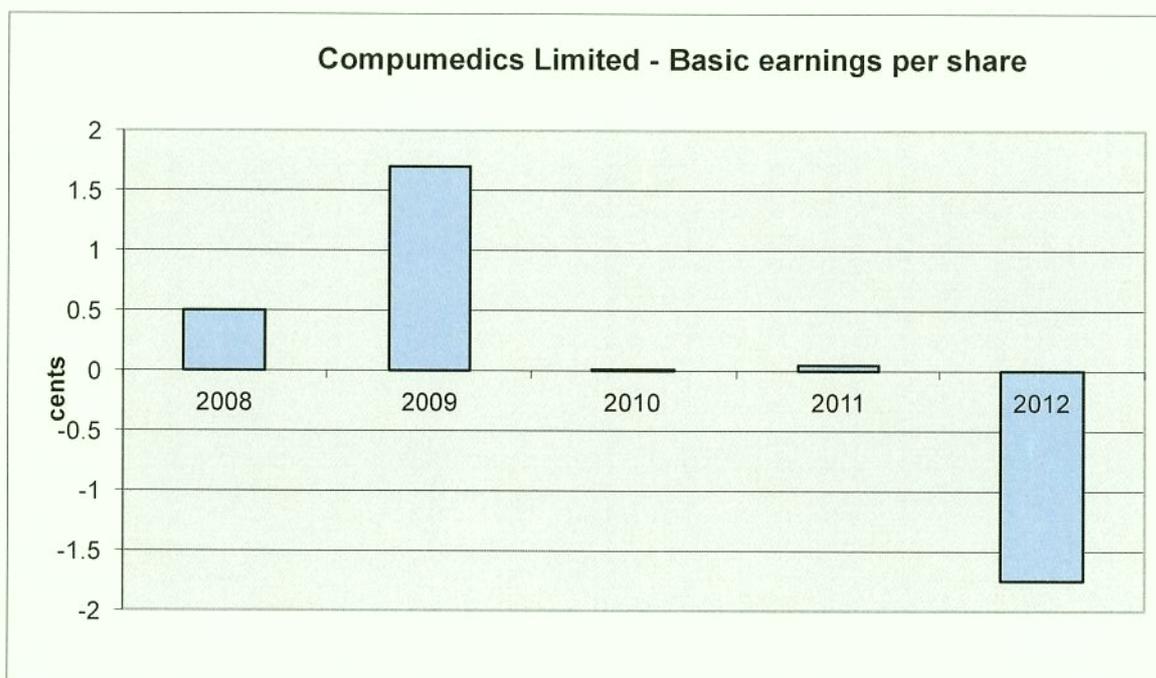
E Additional information**Loans to directors and executives**

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 24 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 2012 (2011: 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, with its key US market remaining relatively stagnant, particularly in sleep diagnostics, due to the economic conditions there and the results were compounded by the continuing high Australian dollar to both the US dollar and the Euro. 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 \$27,608 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	
	2012	2011
	\$	\$
Non-audit services		
<i>Taxation services</i>		
Tax compliance services	38,450	94,500
Total remuneration for taxation services	38,450	94,500

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 14.

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.



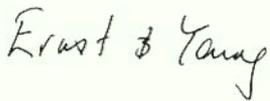
David Burton
Director

Melbourne
28 September 2012

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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 2012, 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



David Petersen
Partner
28 September 2012

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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. 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 one executive director 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 9 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 2012, and the number of meetings attended by each director is disclosed on page 4.

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 2012.

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 September 2009.

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.

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:

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

Details of these directors' attendance at remuneration committee meetings are set out in the directors' report on page 4.

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:

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

Details of the director's qualifications and attendance at audit committee meetings are set out in the directors' report on pages 3-4.

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 and annual financial results to the 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 2012

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 28 September 2012. 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.

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Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	Consolidated	
		2012 \$'000	2011 \$'000
Revenue			
Sale of goods	5	27,915	30,854
Other revenue	5	-	3
		27,915	30,857
Other income	6	586	408
Expenses			
Cost of sales		(14,096)	(13,172)
Administration		(4,411)	(6,304)
Sales and Marketing		(6,631)	(7,436)
Research and Development	7	(4,635)	(4,706)
Finance costs	7	(515)	(414)
Loss before income tax		(1,787)	(767)
Income tax (expense)/ benefit	8	(1,042)	848
Net (loss) / profit		(2,829)	81
Other comprehensive income:			
Foreign currency translation		(711)	478
Other comprehensive income for the year, net of tax		(711)	478
Total comprehensive income for the year		(3,540)	559
Profit/(loss) is attributable to:			
Equity holders of Compumedics Limited		(2,829)	81
Total comprehensive income for the year is attributable to:			
Equity holders of Compumedics Limited		(3,540)	559
		Cents	Cents
(Loss) / earnings per share for (loss) / profit attributable to the ordinary equity holders of the company:			
Basic (loss) / earnings per share	34	(1.75)	0.05
Diluted (loss) / earnings per share	34	(1.75)	0.05

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

Statement of Financial Position

As at 30 June 2012

	Notes	Consolidated	
		2012 \$'000	2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	1,099	1,153
Trade and other receivables	10	8,840	10,241
Inventories	11	5,289	5,733
Total current assets		15,228	17,127
Non-current assets			
Property, plant and equipment	12	755	816
Intangible assets	13	3,892	4,233
Deferred tax assets	8	-	928
Total non-current assets		4,647	5,977
Total assets		19,875	23,104
LIABILITIES			
Current liabilities			
Trade and other payables	14	4,909	4,511
Borrowings	15	1,989	2,754
Provisions	16	2,031	2,082
Deferred revenue	17	1,292	790
Income tax payable	8	186	82
Total current liabilities		10,407	10,219
Non-current liabilities			
Borrowings	18	93	-
Provisions	19	34	16
Deferred revenue	20	126	114
Total non-current liabilities		253	130
Total liabilities		10,660	10,349
Net assets		9,215	12,755
EQUITY			
Contributed equity	21	31,019	31,019
Reserves	22(a)	(972)	(261)
Accumulated losses	22(b)	(20,832)	(18,003)
Total equity		9,215	12,755

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 2012

CONSOLIDATED	Notes	Attributable to members of Compumedics Limited			Total \$'000
		Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	
At 1 July 2010		31,019	(739)	(18,084)	12,196
Profit for the year		-	-	81	81
Other comprehensive income		-	478	-	478
Total comprehensive income for the year		-	478	81	559
Transactions with owners in their capacity as owners:					
Shares issued	21(c)	-	-	-	-
At 30 June 2011		31,019	(261)	(18,003)	12,755
At 1 July 2011		31,019	(261)	(18,003)	12,755
Loss for the year		-	-	(2,829)	(2,829)
Other comprehensive expense		-	(711)	-	(711)
Total comprehensive income for the year		-	(711)	(2,829)	(3,540)
Transactions with owners in their capacity as owners:					
New Shares issued	21(c)	-	-	-	-
At 30 June 2012		31,019	(972)	(20,832)	9,215

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 2012

	Notes	Consolidated	
		2012 \$'000	2011 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		29,527	31,032
Payments to suppliers and employees (inclusive of goods and services tax)		(28,222)	(31,292)
		1,305	(260)
Interest and other costs of finance paid		(515)	(414)
Interest received		-	3
Receipts from other income		586	408
Net cash inflow/(outflow) from operating activities	33	1,376	(263)
Cash flows from investing activities			
Purchase of property, plant and equipment		(82)	(300)
Purchase of intangible assets		(441)	(680)
Net cash inflow/(outflow) from investing activities		(523)	(980)
Cash flows from financing activities			
Proceeds from borrowings		-	492
Repayment of borrowings		(1,067)	(375)
Proceed from issue of shares		-	-
Net cash inflow (outflow) from financing activities		(1,067)	117
Net increase/(decrease) in cash and cash equivalents			
		(214)	(1,126)
Cash and cash equivalents at the beginning of the financial year		(80)	1,281
Effects of exchange rate changes on cash and cash equivalents		(2)	(235)
Cash and cash equivalents at end of year	9	(296)	(80)

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

Notes to the Financial Statements

For the year ended 30 June 2012

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 bank facilities

During the year ended 30th June 2012 the Group reported a loss after tax of \$2.8m and net positive cash flow from operations of \$1.4m. The \$2.8m loss after tax reflected the following items: a \$0.9m non-cash write back of deferred tax assets, and a \$1.1m charge for depreciation and amortisation. The operating cash of \$1.4m was primarily utilised to repay bank debt of \$1.0m, reducing bank debt to \$2.0m at 30th June 2012, as well as funding investing activities of \$0.5m.

Owing to 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 2012.

During the second half of the year the Company has been seeking alternate debt facilities in order to clear the backlog of sales orders. As at the date of this report the Company has signed letters of offer with an alternate provider of debt facilities, based on debt factoring, but has not yet settled those facilities. The new facilities are subject to normal conditions precedent. As such the current provider of debt facilities to the Company has extended their facilities through to 31st October 2012 to allow settlement with the new debt provider and repayment of its debts. In addition to this the Company is also seeking additional equity into the Company to supplement the new debt facilities it plans to have in place by 31st October 2012 and has engaged a broker to work with the Company to facilitate the placement of these additional funds with the Company within the next two to three months. In the Directors view the continuing viability of the Company requires:

- 1 The Company to settle its new debt facilities by 31st October 2012
- 2 Obtain additional equity between \$0.5m and \$1.0m by the end of December 2012
- 3 Achieve its budget for the 2012/13 financial year, which includes shipping at least \$4.5m of the \$6.4m of sales orders carried forward at 30th June 2012

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.

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Notes to the Financial Statements (continued)

For the year ended 30 June 2012

1. Summary of significant accounting policies (continued)**(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 2012 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.

(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

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Notes to the Financial Statements (continued)

For the year ended 30 June 2012

1. Summary of significant accounting policies (continued)

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.

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

1 Summary of significant accounting policies (continued)**(f) Income tax (continued)**

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.

(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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

1. Summary of significant accounting policies (continued)

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 an 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.

(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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

1. Summary of significant accounting policies (continued)**(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) Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

(n) 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 2 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.

(o) 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.

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.

(p) 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

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Notes to the Financial Statements (continued)

For the year ended 30 June 2012

1. Summary of significant accounting policies (continued)

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.

(q) 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.

(r) 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 and short-term and long-term borrowings,
- Finance lease charges, and
- Bank charges on borrowing facilities.

(s) 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.

(t) 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

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Notes to the Financial Statements (continued)

For the year ended 30 June 2012

1. Summary of significant accounting policies (continued)

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 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.

(u) 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.

(v) 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.

(w) Earnings per share*(i) Basic earnings per share*

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 shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

1. Summary of significant accounting policies (continued)**(x) 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.

(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 Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2012.

Reference	Title	Application date of standard*	Group Impact	Application date for Group*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project – The subject of amendments to the standards are set out below: <ul style="list-style-type: none"> • AASB 5 – Disclosures in relation to non-current assets (or disposal groups) classified as held for sale or discontinued operations • AASB 8 – Disclosure of information about segment assets • AASB 101 – Current/non-current classification of convertible instruments • AASB 107 – Classification of expenditures that does not give rise to an asset • AASB 117 – Classification of leases of land • AASB 118 – Determining whether an entity is acting as a principle or an agent • AASB 136 – Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation • AASB 139 – Treating loan prepayment penalties as closely related embedded derivatives, and revising the scope exemption for forward contracts to enter into a business combination contract 	1 January 2011	No impact	1 July 2011
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	1 January 2011	No impact	1 July 2011
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	1 February 2011	No impact	1 July 2011

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

Reference	Title	Application date of standard*	Group Impact	Application date for Group*
AASB 2011-3	<p>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</p> <p>[AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]</p> <p>Limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value.</p> <p>Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses.</p> <p>Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated.</p> <p>Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively.</p>	1 July 2011	No impact	1 July 2011
Interpretation 19	<p>Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments</p> <p>This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.</p> <p>The interpretation states that equity instruments issued as payment of a debt should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.</p>	1 July 2011	No impact	1 July 2011

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 101 (Revised), AASB 2007-8 and AASB 2007-10 Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

AASB 8 and AASB 2007-3 Operating Segments and consequential amendments to other Australian Accounting Standards

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

The Company has adopted the new standard AASB 8 replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.

AASB 8 is a disclosure standard and as such this interpretation, as expected, has had no impact on the amounts included in the Company's financial statements. However, amendments have had an impact on the Company's segment disclosures.

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and therefore have not been adopted by the Company for the annual reporting period ended 30 June 2012.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>(a) Financial assets are 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. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>(b) AASB 9 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.</p> <p>(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.</p>	1 January 2013	Minimal	1 July 2015

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<ul style="list-style-type: none"> ▶ These amendments arise from the issuance of AASB 9 <i>Financial Instruments</i> that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. ▶ <u>This Standard shall be applied when AASB 9 is applied.</u> 	1 January 2013	Minimal	1 July 2013
AASB 124 (Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <ul style="list-style-type: none"> (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 January 2012	Minimal	1 July 2012

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	<p>This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>In particular, it amends AASB 8 <i>Operating Segments</i> to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p>	1 January 2012	Minimal	1 July 2012
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	<p>These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit.</p> <p>The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.</p>	1 January 2012	No impact	1 July 2012

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard)</p> <p>(b) The Australian Government and State, Territory and Local Governments</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit private sector entities that do not have public accountability</p> <p>(b) All not-for-profit private sector entities</p> <p>Public sector entities other than the Australian Government and State, Territory and Local Governments</p>	1 July 2013	Minimal	1 July 2013
AASB 1054	Australian Additional Disclosures	<p>This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.</p> <p>This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:</p> <p>(a) Compliance with Australian Accounting Standards</p> <p>(b) The statutory basis or reporting framework for financial statements</p> <p>(c) Whether the financial statements are general purpose or special purpose</p> <p>(d) Audit fees</p> <p>(e) Imputation credits</p>	1 July 2012	Minimal	1 July 2012
AASB 2011-2 ***	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	<p>This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053, preparing general purpose financial statements.</p>	1 July 2013	Minimal	1 July 2013

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2011-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	<p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.</p> <p>Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.</p>	1 January 2012	Minimal	1 July 2012
AASB 2011-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	<p>This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p> <p>These amendments have no major impact on the requirements of the amended pronouncements.</p>	1 January 2012	Minimal	1 July 2012
AASB 2011-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	<p>The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.</p>	1 July 2012	No impact	1 July 2012

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2011-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2011) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss <p>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.</p>	1 January 2013	Minimal	1 July 2013
AASB 2011-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 <i>Income Taxes – Recovery of Revalued Non-Depreciable Assets</i> into AASB 112.	1 January 2012	No impact	1 July 2012
AASB 2012-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2012	Minimal impact	1 July 2012

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2012-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101, AASB 1054]	This Standard makes amendments to the application of the revised disclosures to Tier 2 entities, that are applying AASB 1053.	1 July 2013	Minimal	1 July 2013
AASB 10	Consolidated Financial Statements	<p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and SIC-12 <i>Consolidation – Special Purpose Entities</i>.</p> <p>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. This is likely to lead to more entities being consolidated into the group.</p>	1 January 2013	Minimal	1 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and SIC-13 <i>Jointly-controlled Entities – Non-monetary Contributions by Ventures</i> . 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 AASB 11 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. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	No impact	1 July 2013

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 12	Disclosure of Interests in Other Entities	IFRS 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 judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and 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 under IFRS 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 determine fair value under IFRS when fair value is required or permitted by IFRS. 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.	1 January 2013	Minimal	1 July 2013
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 recognized in full with actuarial gains and losses being recognized 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 October 2013

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Notes to the Financial Statements (continued)

For the year ended 30 June 2012

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 2012		30 June 2011	
	USD \$'000	Euro \$'000	USD \$'000	Euro \$'000
Financial assets				
Cash and cash equivalents	190	1	413	48
Trade receivables	1,791	374	2,540	369
Financial liabilities				
Bank Loans	-	-	(4)	-
Trade payables	(462)	(89)	(425)	(109)
Net exposure	1,519	286	2,524	308

Sensitivity analysis

Based on the financial instruments held at 30 June 2012, had the Australian dollar weakened/strengthened by five cents against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have been \$0.070m higher / \$0.077m lower (2011: \$0.127m higher/\$0.127m 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 2012, had the Australian dollar weakened/strengthened by five cents against the EURO with all other variables held constant, the Group's post-tax profit for the year would have been \$0.021m higher / \$0.023m lower (2011: \$0.028m higher / \$0.028m 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 cent 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 cent 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 2012

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 2012		30 June 2011	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
Cash and cash equivalents	0.00%	1,099	0.00%	1,153
Bank overdrafts and bank loans	10.68%	1,895	9.78%	2,720

Sensitivity analysis

The Groups sensitivity to interest rate movements is dependent on the underlying profitability of the Group. If the Group delivers profits at the level achieved in the year ended 30 June 2012 then based on 30 June 2012 year end borrowing of \$1.9m a plus or minus 2% movement in interest rates (+/- \$38,000) 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 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 2012

2. Financial risk management (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.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

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. The following tables identify accounts receivable at 30 June 2012 and 30 June 2011 identified by debt owed into major region and currency:

(b) Credit risk (continued)

Region	Current \$'000	30 Days \$'000	60 Days \$'000	90+ Days \$'000	Total \$'000
2012					
Parent entity (AUD)	1,396	36	35	193	1,662
Parent entity (USD)	873	68	11	805	1,757
Parent entity (EURO)	255	72	(11)	146	462
US subsidiary (USD)	1,369	40	93	1,216	2,718
German subsidiary (EURO)	2,306	73	16	187	2,582
	6,199	289	144	2,547	9,181
Provision	-	-	-	(890)	(890)
2011					
Parent entity (AUD)	2,319	29	18	284	2,650
Parent entity (USD)	2,033	104	26	201	2,364
Parent entity (EURO)	257	18	-	223	498
US subsidiary (USD)	1,889	103	13	341	2,346
German subsidiary (EURO)	1,183	141	702	607	2,633
	7,681	395	759	1,656	10,491
Provision	-	-	-	(875)	(875)

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 44.7% and 11.6% of the total debtors owing in the respective territories. The significant increase in the US 90 day accounts receivable owing relates primarily to three or four customers where installations have taken longer than anticipated. 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 45.8% of the total debtors outstanding in the current year and reflect some installation delays. 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 in the DWL business, which is primarily via distributors into Europe and Asia typically occurs at or not long after agreed payment terms, but has improved significantly in the current financial year. Debtors in the 90-day column for DWL represent only 7.2% of all debtors owed to this business.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

2. Financial risk management (continued)

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 had available bank facilities totalling \$2.250m at 30 June 2012, of which \$1.895m had been utilised. The Facility was due to be repaid 30th September 2012 and as the Company was in breach of its covenants the Facility was repayable upon demand. Subsequent to the end of the financial year the Company has negotiated new debtor-factoring facilities with a total facility limit of \$4.6m, with BIBBY Financial Services. The facility limit is provided across both the Australian and US legal entities of the Group and is based on the Company's ability to present accepted invoices, under the terms of the facilities, to determine the extent to which the facility can be utilised. The Company anticipated having these new facilities in place by 31st October 2012, at which point it will payback to Bankwest its existing debt facilities owing at that date.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

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 2012					
Liquid financial assets					
Cash and cash equivalents	1,099	-	-	-	1,099
Trade and other receivables	8,840	-	-	-	8,840
	<u>9,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,939</u>
Financial liabilities					
Trade and other payables	5,095	-	-	-	5,095
Interest bearing loans and borrowings (note 1)	1,989	-	93	-	2,082
	<u>7,084</u>	<u>-</u>	<u>93</u>	<u>-</u>	<u>7,177</u>
Net inflow / (outflow)	2,855	-	(93)	-	2,762
Year ended 30 June 2011					
Liquid financial assets					
Cash and cash equivalents	1,153	-	-	-	1,153
Trade and other receivables	10,241	-	-	-	10,241
	<u>11,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,394</u>
Financial Liabilities					
Trade and other payables	4,593	-	-	-	4,593
Interest bearing loans and borrowings	2,754	-	-	-	2,754
	<u>7,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,347</u>
Net inflow/(outflow)	4,047	-	-	-	4,047

Note 1: The Group breached bank undertakings during the year to 30 June 2012 such that the full balance of the facility is shown as a current liability.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

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 typical costs the Group will incur in future periods for sales of goods that it has booked as revenue in the current and past periods.

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. Based on current installation and training costs as an estimate for future installation and training costs, 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 has capitalised \$0.4m (2011: \$0.7m) of costs related to the development of the SPAP product this financial year. The recoverability of these costs is dependant on the commercial success of the product, so that it will generate future economic benefits in excess of the costs capitalised. The group continued amortisation of these costs in the 2012 financial year with a \$0.8m (2011: \$0.6m) charge to profit or loss in the current year.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

(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, based on known factors and particularly given the re-financing of the business was not concluded at the date of this report that the tax asset should not be recognised at 30th June 2012.

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 4 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 2012

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 2012 or 30 June 2011.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

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.

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)
Deferred tax asset				
Total assets per the Statement of Financial Position	3,097	12,090	4,688	19,875
Acquisition of property plant & Equipment and intangible	4	253	61	318

Sales within Australia for 2012 were \$5.2m

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

4. Operating Segments (continued)

2011	USA	Australia and Asia Pacific	Europe	Group
	\$'000	\$'000	\$'000	\$'000
Revenue				
Sales to external customers	9,689	11,243	9,925	30,857
Intersegment sales	925	2,196	475	3,596
Other intersegment revenue	-	85	1,061	1,146
Total segment revenue	10,614	13,524	11,461	35,599
Intersegment elimination	(925)	(2,281)	(1,536)	(4,742)
Total revenue	9,689	11,243	9,925	30,857
Segment Result	(1,810)	895	1,109	194
Other income				408
Depreciation and amortisation				(955)
Net Interest (expense) / income				(414)
Net Profit before income tax per the Statement of Comprehensive Income				(767)
Segment Assets	2,925	28,892	4,802	36,619
Intersegment elimination	(68)	(14,284)	(91)	(14,443)
Deferred tax asset	-	928	-	928
Total assets per the Statement of Financial Position	2,857	15,536	4,711	23,104
Acquisition of property plant & Equipment and intangibles	3	732	245	980

Sales within Australia for 2011 were \$5.2m

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

5. Revenue

	Consolidated	
	2012 \$'000	2011 \$'000
<i>Sales revenue</i>		
Sale of goods	25,684	28,694
Services	2,231	2,160
	<u>27,915</u>	<u>30,854</u>
<i>Other revenue</i>		
Interest	-	3
	<u>27,915</u>	<u>30,857</u>

6. Other income

Other income	<u>586</u>	<u>408</u>
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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 2012

7. Expenses

	Consolidated	
	2012 \$'000	2011 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	334	324
Plant and equipment under finance leases	-	7
Total depreciation	334	331
<i>Amortisation</i>		
Intangible asset	782	624
<i>Finance costs</i>		
Interest and finance charges paid/payable	515	414
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	649	758
<i>Foreign exchange gains and losses</i>		
Net foreign exchange losses (a)	(15)	1,817
<i>Employee benefits</i>		
Payroll expense including leave payments	11,993	12,781
Superannuation entitlements	627	620
	12,620	13,401
Research and development expenditure	4,635	4,706
Current receivables – movement in impairment provision	71	81
Inventory – write down / (Recovery):	107	(577)

(a) Foreign exchange gains and losses

Net foreign exchange losses of \$0.015m were primarily related to trading transactions within the business.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

8. Income tax expense / (benefit)

	Consolidated	
	2012 \$'000	2011 \$'000
(a) Income tax expense / (benefit)		
Current income tax charge	114	80
Deferred income tax	928	(928)
Income tax reported in the statement of comprehensive income	1,042	(848)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense as reported in the statement of comprehensive income	(1,787)	(767)
Profit before income tax subject to Australian income tax	(1,787)	(767)
Tax expense / (benefit) at the Australian tax rate of 30% (2011 - 30%)	(536)	(230)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible expenses	3	3
Research and development	(262)	(238)
Deferred tax asset not brought to account	909	-
Deferred tax asset written-off / (recognised)	928	(383)
Income tax expense / (benefit) reported in the statement of comprehensive income	1,042	(848)
(c) Deferred tax assets and liabilities recognised relate to the following:		
Deferred tax assets		
Employee benefits	-	399
Borrowing costs	-	25
Provision for inventory obsolescence	-	629
Other provisions and accruals	-	328
Unrealised FX loss	-	41
Tax losses	-	776
Gross deferred tax assets	-	2,198
Deferred tax liabilities		
Intangible asset	-	(1,270)
Gross deferred tax liabilities	-	(1,270)
Net deferred tax assets	-	928
(d) Provision for income tax – current		
Estimated income tax payable in Compumedics Germany GmbH	186	82

At balance date the Company estimates there is a deferred tax liability of \$1.2m, related to the intangible assets, which has been fully offset by the deferred tax asset in relation to tax losses in Australia not recognised, with a value of \$1.2m (2011 \$0.9m). In addition, the Company estimates a deferred tax asset exists in relation to tax losses in the USA of \$2.8m (2011 \$1.6m), which is not recognised.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

8. Income tax expense / (benefit) (continued)

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.

(c) Tax consolidation legislation

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

9. Current assets – Cash and cash equivalents

	Consolidated	
	2012	2011
	\$'000	\$'000
Cash at bank and in hand	1,099	1,153

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

Cash at bank and in hand	1,099	1,153
Bank overdrafts (note 15)	(1,395)	(1,233)
Balances per Statement of Cash Flows	<u>(296)</u>	<u>(80)</u>

10. Current assets – Trade and other receivables

	Consolidated	
	2012	2011
	\$'000	\$'000
Trade receivables	9,181	10,491
Allowance for impairment loss (a)	(890)	(875)
	<u>8,291</u>	<u>9,616</u>
Other receivables/prepayments	535	611
Related party receivables:		
Loans to key management personnel	14	14
	<u>8,840</u>	<u>10,241</u>

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

At 1 July	875	1,041
Provision for impairment recognised during the year	71	81
Receivables written off during the year as uncollectible	(56)	(247)
	<u>890</u>	<u>875</u>

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

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

The creation and release of the provision for impaired receivables has been included in 'administration' 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.

Past due but not impaired

As of 30 June 2012, trade receivables of \$2,857,315 (2011 - \$2,144,843) 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	
	2012 \$'000	2011 \$'000
Up to 3 months	1,134	1,229
3 to 6 months	1,023	639
Over 6 months	700	277
	2,857	2,145

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 2012 by \$1.0m as a result of the Groups utilising the previously recognised provision against specific inventory reductions, offset by the increase of the provision for newly identified slow moving inventory at \$0.1m. 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 2012.

	Consolidated	
	2012 \$'000	2011 \$'000
Raw materials and stores (at cost)	5,015	5,693
Work in progress (at cost)	818	836
Finished goods (at cost or net realisable value)	1,633	2,283
Provision for obsolescence	(2,177)	(3,079)
Total inventories at the lower of cost and net realisable value	5,289	5,733

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Notes to the Financial Statements (continued)

For the year ended 30 June 2012

(a) Inventory expense

Inventories recognised as an expense during the year ended 30 June 2012 amounted to \$9,560,025 (2011: \$10,656,470).

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

Consolidated	Plant and Equipment At Cost	Office Equipment At Cost	Motor Vehicle	Leasehold Improvements	Plant and Equipment Leased	Office Equipment Leased	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2011							
At 1 July 2010	290	613	9	8	-	-	920
Additions	22	243	35	-	-	-	300
Exchange differences	(5)	(62)	-	-	-	-	(67)
Disposals	-	(6)	-	-	-	-	(6)
Depreciation/amortisation expense	(77)	(240)	(7)	(7)	-	-	(331)
At 30 June 2011	230	548	37	1	-	-	816
At 30 June 2011							
Cost or fair value	1,045	3,825	227	585	430	571	6,683
Accumulated depreciation	(815)	(3,277)	(190)	(584)	(430)	(571)	(5,867)
Net carrying amount	230	548	37	1	-	-	816
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

(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 2012

13. Non-current assets - Intangible assets

Consolidated	Development costs	Total
	\$'000	\$'000
Year ended 30 June 2011		
At 1 July 2010	4,177	4,177
Additions	680	680
Impairment charge	-	-
Amortisation charge	(624)	(624)
At 30 June 2011	4,233	4,233
At 30 June 2011		
Cost*	5,046	5,046
Accumulated amortisation** and impairment	(813)	(813)
Net carrying amount	4,233	4,233
Year ended 30 June 2012		
At 1 July 2011	4,233	4,233
Additions	441	441
Impairment charge	-	-
Amortisation charge	(782)	(782)
At 30 June 2012	3,892	3,892
At 30 June 2012		
Cost*	5,487	5,487
Accumulated amortisation** and impairment	(1,595)	(1,595)
Net carrying amount	3,892	3,892

* Relates to capitalised development costs being an internally generated intangible asset

** Amortisation of \$782,233 (2011 - \$623,844) is included in depreciation and amortisation expense in profit or loss.

14. Current liabilities - Trade and other payables

	Consolidated	
	2012 \$'000	2011 \$'000
Trade payables	3,468	3,051
Other payables	1,441	1,460
	4,909	4,511

(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 2012

15. Current Liabilities - Borrowings

	Consolidated	
	2012 \$'000	2011 \$'000
Secured		
Bank overdrafts	1,395	1,233
Bank loans	500	1,480
Lease liabilities (note 27)	94	41
Total Current Borrowings	1,989	2,754

Bank Facilities

During the year the Company breached one of its financial undertakings in relation to its bank facilities, the result of which leads to a review event. Consequently the full amount of bank borrowings are repayable upon demand. The Facility is due to expire 30 September 2012 and the Company is currently negotiating alternate funding as described in Note 1.

(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

The total secured liabilities are as follows:

	Consolidated	
	2012 \$'000	2011 \$'000
Bank overdrafts and bank loans	1,895	2,713
Lease liabilities – current	94	41
Lease liabilities – non current	93	-
Total secured liabilities	2,082	2,754

The bank loans and overdraft 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

15. Current Liabilities – Borrowings (continued)

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

	Notes	Consolidated	
		2012 \$'000	2011 \$'000
Current			
<i>Floating charge</i>			
Cash and cash equivalents	9	1,099	1,153
Receivables	10	8,840	10,241
Inventories	11	5,289	5,733
Total current assets pledged as security		15,228	17,127
Non-current			
<i>Floating charge</i>			
Property, plant and equipment	12	755	816
Intangible assets	13	3,892	4,233
Deferred tax asset	8	-	928
Total non-current assets pledged as security		4,647	5,977
Total assets pledged as security		19,875	23,104

(d) Forward exchange contracts

As at 30 June 2012 and 30 June 2011 there were no outstanding forward exchange contracts.

(e) Financing arrangements

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

	Consolidated	
	2012 \$'000	2011 \$'000
Credit standby arrangements		
Total facility		
Bank overdrafts	1,750	1,750
Commercial debtors	-	-
Fixed term borrowings	500	1,480
	2,250	3,230
Used at reporting date		
Bank overdrafts	1,395	1,233
Commercial debtors	-	-
Fixed term borrowings	500	1,480
	1,895	2,713
Unused at reporting date		
Bank overdrafts	355	517
Commercial debtors	-	-
Fixed term borrowings	-	-
	355	517
Bank loan facilities		
Total facilities	2,250	3,230
Used at reporting date	1,895	2,713
Unused at reporting date	355	517

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

15. Current Liabilities – Borrowings (continued)

The Group had bank facilities totalling \$2.250 million (including a fully drawn advance of \$0.500 million) at 30 June 2012.

(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	
	2012 \$'000	2011 \$'000
Employee benefits	1,708	1,631
Service warranties (note 16(a))	323	451
	2,031	2,082

(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 - 2012	
Current	
Carrying amount at start of year	451
Charged/(credited) to profit or loss	
- additional provisions recognised	-
- unused amounts reversed	(128)
Carrying amount at end of year	323

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

17. Current liabilities - Deferred income

	Consolidated	
	2012 \$'000	2011 \$'000
Current		
Deferred income	1,292	790

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	
	2012 \$'000	2011 \$'000
Secured		
Lease liabilities (note 27)	93	-
Bank Loans	-	-
	<u>93</u>	<u>-</u>

(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	
	2012 \$'000	2011 \$'000
Employee benefits	34	16

20. Non-current liabilities - Deferred income

	Consolidated	
	2012 \$'000	2011 \$'000
Deferred income	126	114

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.

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Notes to the Financial Statements (continued)

For the year ended 30 June 2012

21. Contributed equity

	Consolidated		Consolidated	
	2012 Shares	2011 Shares	2012 \$'000	2011 \$'000
(a) Share capital				
Ordinary shares				
Fully paid	161,983,209	161,983,209	31,019	31,019

(c) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$'000
30 June 2010	Balance	161,983,209		31,019
30 June 2011	Balance	161,983,209		31,109
30 June 2012	Balance	161,983,209		31,109

(d) 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.

(e) Other equity securities

There are no other equity securities issued at this time.

(f) 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 2012

	Consolidated	
	2012	2011
	\$'000	\$'000
Total borrowings	1,989	2,754
Less cash and cash equivalents	1,099	1,153
Net debt / (cash)	890	1,601
Total equity	9,215	12,755
Total funding	10,105	14,356
Gearing ratio	8.8%	11.2%

22. Reserves and accumulated losses

	Consolidated	
	2012	2011
	\$'000	\$'000
(a) Reserves		
Foreign currency translation reserve	(972)	(261)
	<u>(972)</u>	<u>(261)</u>
(b) Accumulated losses		
Movements in accumulated losses were as follows:		
Balance 1 July	(18,003)	(18,084)
Net profit/(loss) for the year	(2,829)	81
Balance 30 June	<u>(20,832)</u>	<u>(18,003)</u>

(c) Other Reserves

	Consolidated
	Foreign currency translations \$'000
Balances as at 1 July 2010	(739)
Exchange difference on translation of foreign operation	478
At 30 June 2011	<u>(261)</u>
Exchange difference on translation of foreign operation	(711)
At 30 June 2012	<u>(972)</u>

(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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

23. Dividends**(a) Ordinary shares**

The directors have not declared a dividend in the current financial year (2011: 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:

<i>Name</i>	<i>Position</i>	<i>Employer</i>
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
Robert Daspit [^]	National Sales Manager, Sleep Sales, USA	Compumedics USA, Inc.
Jeff Kuznia [^]	Vice President, Marketing USA	Compumedics USA, Inc.
Christoph Witte [^]	Managing Director, DWL	Compumedics Germany GmbH

[^] The above persons were also key management persons during the year ended 30 June 2011.

(c) Key management personnel compensation

	Consolidated	
	2012	2011
	\$	\$
Short-term employee benefits	1,725,784	1,954,644
Post-employment benefits	77,596	92,481
Long-term benefits	16,311	14,162
Share-based payments	-	-
	1,819,691	2,061,287

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

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 2012 and 30 June 2011.

(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
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	-	-	-	-
Robert Daspit	-	-	-	-
Jeff Kuznia	-	-	-	-

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

2011**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	4,404,650	-	(58,000)	4,346,650
Warwick Freeman	82,000	-	-	82,000
Kerry Hubick	1,126,041	54,024	-	1,180,065
Andrew Kegele	66,483	-	-	66,483
Christoph Witte	-	-	-	-
Curtis Ponton	-	-	-	-

* The shares were purchased 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 2012

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:

	2012 \$	2011 \$
Amounts recognised as expense		
Legal fees	7,622	51,833

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	
	2012 \$	2011 \$
(a) Audit services		
Ernst & Young Australian firm		
Audit and review of financial reports under the Corporations Act 2001	165,000	157,500
Total remuneration for audit services	<u>165,000</u>	<u>157,500</u>
(b) Non-audit services		
<i>Taxation services</i>		
Tax compliance services	38,450	95,400
Total remuneration for taxation services	<u>38,450</u>	<u>95,400</u>
	<u>203,450</u>	<u>252,900</u>

26. Contingencies**(a) Contingent liabilities**

Consolidated entity had no contingent liabilities at 30 June 2012.

(b) Contingent assets

Consolidated entity had no contingent assets at 30 June 2012.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

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	
	2012	2011
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	525	610
Later than one year but not later than five years	1,335	311
Commitments not recognised in the financial statements	<u>1,860</u>	<u>921</u>

Other leases

Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of rental properties

125	73
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The Group has finance leases for motor vehicles with a carrying amount of \$37K (2011 \$41K). These leases expire within one to four years.

(ii) Finance leases

Within one year	94	21
After one year but not more than five years	93	20
Total minimum lease payments	<u>187</u>	<u>41</u>

28. Share-based payments**(a) Employee Option Plan**

The Group did not have any share-based payments in the full year ended 30 June 2012.

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 2012 and 2011 consisted of:

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

	Consolidated	
	2012	2011
	\$	\$
Purchase of legal services from Alan Anderson Law Firm and Briggs & Morgan	7,736	51,833
Payment of fees to D&DJ Burton Holdings Pty Ltd	452,821	452,821

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 are no loans with Directors.

(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. The Company has agreed extended credit terms on this outstanding balance.

30. Parent Entity Information

	2012	2011
	\$'000	\$'000
Information relating to Compumedics Limited:		
Current assets	7,893	10,191
Total assets	12,466	15,926
Current liabilities	6,898	7,292
Total liabilities	7,030	7,325
Contributed Equity	31,019	31,019
Reserves	-	-
Accumulated losses	(25,583)	(22,418)
Total shareholders equity	<u>5,436</u>	<u>8,601</u>
Profit or loss of the parent entity	(3,165)	(3,595)
Total comprehensive income of the parent entity	(3,165)	(3,595)

The bank loans and overdraft 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 2012

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	
			2012 %	2011 %
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

32. Events occurring after the reporting date

The Company is currently in the final stages of implementing new debt facilities, which it plans to have in place by the end of October 2012. The new debt facilities will replace the Company's current bank debt facilities. At the date of this report settlement had not occurred on the new debt facilities, however, the Directors fully expect settlement will take place before the end of October 2012, the date the current bank debt facilities are due to be repaid. The Directors are also seeking additional new equity into the business and whilst discussions with certain parties are well advanced these arrangements have not been finalised at the date of this report. The Directors fully expect these activities to be successful in a timely manner so as to ensure the business is properly funded to achieve its current financial and operational forecasts.

33. Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

	Consolidated	
	2012 \$	2011 \$
Profit/(loss) for the year	(2,829)	81
Depreciation and amortisation	1,116	955
Net exchange differences	(666)	987
Change in deferred tax	928	(928)
Change in operating assets and liabilities		
(Increase) decrease in receivables	1,400	(533)
(Increase) decrease in inventories	444	(751)
Increase (decrease) in trade payables	398	79
Increase (decrease) in deferred revenues	514	(186)
Increase (decrease) in tax provisions	104	(188)
Increase (decrease) in other provisions	(33)	221
Net cash inflow (outflow) from operating activities	1,376	(263)

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

34. (Loss) / Earnings per share

	Consolidated	
	2012 Cents	2011 Cents
(a) Basic (loss) / earnings per share		
(Loss) / Profit attributable to the ordinary equity holders of the company	(1.75)	0.05
(b) Diluted (loss) / earnings per share		
(Loss) / Profit attributable to the ordinary equity holders of the company	(1.75)	0.05
(c) Reconciliations of (loss) / earnings used in calculating earnings per share		
	Consolidated	
	2012 \$'000	2011 \$'000
<i>Basic (loss) / earnings per share</i>		
(Loss) / Profit	(2,829)	81
<i>Diluted (loss) / earnings per share</i>		
(Loss) / Profit attributable to the ordinary equity holders of the company used in calculating basic (loss) / earnings per share	(2,829)	81
(Loss) / Profit attributable to the ordinary equity holders of the company used in calculating diluted (loss) / earnings per share	<u>(2,829)</u>	<u>81</u>
(d) Weighted average number of shares used as the denominator		
	Consolidated	
	2012 Number	2011 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic (loss) / earnings per share</i>	161,983,209	161,983,209
Adjustments for calculation of diluted (loss) / earnings per share:		
Options	-	-
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted (loss) / earnings per share</i>	<u>161,983,209</u>	<u>161,983,209</u>
(e) Information concerning the classification of securities		
<i>(i) Options</i>		
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 21 to 74 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 2012 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
- (c) the audited remuneration disclosures set out on pages 5 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
28 September 2012

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 2012, 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.

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 2012 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.

Significant uncertainty regarding continuation as a going concern

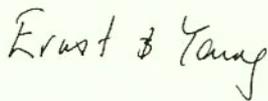
Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the company has been seeking alternate debt facilities due to expiry of the current debt facilities on 31 October 2012. As disclosed, the company has signed letters of offer with an alternate provider of debt facilities and is also seeking additional equity. These conditions, along with other matters as set forth in Note 1, indicate that there is significant uncertainty whether the company and its controlled entities will continue as a going concern, and therefore, whether the company and its 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 5 to 12 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



David Petersen
Partner
Melbourne
28 September 2012

Additional information required by Australian Stock Exchange Listing Rules and not disclosed elsewhere in this Annual Report; the information presented is at 14 September 2012.

A. Distribution of equity securities

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

	Ordinary shares	Number held	Class of equity security		
			Options	Number held	Redeemable Convertible notes
1 - 1000	84	61,685	-	-	-
1,001 - 5,000	352	1,177,221	-	-	-
5,001 - 10,000	201	1,722,485	-	-	-
10,001 - 100,000	288	9,805,021	-	-	-
100,001 and over	87	149,216,797	-	-	-
	1,012	161,983,209	-	-	-

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		61.00
Teijin Pharma Limited		5.12
Armco Barriers Pty Ltd		3.71
Medigas Italia S.R.L		2.68
Mr David Francis Lawson		1.41
Lawson Callinan Super A/C		1.28
Electro Molecular Pty Ltd		1.26
John Tilton Pty Ltd		0.86
Canucki Pty Ltd		0.73
Mr Bert Van Netten		0.61
Benger Superannuation Pty Limited		0.56
Andama Holding Pty Ltd		0.54
Go Go Marketing Pty Ltd		0.45
Mr Norman Mayne		0.43
IMAJ Pty Ltd		0.37
Southern Investments 2003 Pty Ltd		0.34
Mr Edward James Stephen Dally & Mrs Selina Dally		0.34
Mr Richard Keller		0.31
Killara Quest Pty Ltd		0.31
Bain Nominees Pty Ltd		0.30
	133,749,536	82.57

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	62.24 %
Teijin Pharma Limited	8,293,698	5.12 %

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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