

COMPUMEDICS LIMITED

(ACN 006 854 897)

ASX Half-year information 31 December 2011

Lodged with the ASX under Listing Rule 4.2A.3

This information should be read in conjunction with the 30 June 2011 Annual Report.

Contents

| | |
|--|----|
| Results for Announcement to the Market <i>(Appendix 4D item 2)</i> | 2 |
| Half-year report <i>(ASX Listing rule 4.2A1)</i> | 5 |
| Supplementary Appendix 4D Information <i>(Appendix 4D items 3 to 9)</i> | 26 |

Compumedics Limited

Half-year ended 31 December 2011

(Previous corresponding period:
Half-year ended 31 December 2010)

Results for Announcement to the Market

| | | | | \$'000 |
|--|--|-------------------|----|---------------|
| Revenue from continuing operations <i>(Appendix 4D item 2.1)</i> | | Down 1.5% | to | 14,785 |
| Profit before interest and tax (A\$'000) | | Not applicable | To | 403 |
| Profit after tax attributable to members <i>(Appendix 4D item 2.2)</i> | | Not applicable | to | 152 |
| Net Profit for the period attributable to members <i>(Appendix 4D item 2.3)</i> | | Not applicable | to | 152 |

| Dividends/distributions <i>(Appendix 4D item 2.4)</i> | Amount per security | Franked amount per security |
|---|------------------------|--------------------------------|
| Final dividend (prior year) | n/a | n/a |

Record date for determining entitlements to the
dividend

(Appendix 4D item 2.5)

n/a

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

The Company generated \$14.8m in revenues from the sale of goods and services, which was 1.5% lower than the prior corresponding half-year.

In constant currency (that is, last year's revenues restated at this year's exchange rates) revenues from the sale of goods and services in the six months to 31 December 2011 were 7% higher than the prior corresponding half-year. Orders taken for the half year were 19% higher than the prior corresponding half-year, resulting in orders-on-hand at 31 December 2011 at \$2.8m being almost double that of 31 December 2010.

Revenues shipped and invoiced for the six-month period to 31 December 2011 were impacted by the following factors:

- 1 The Company delivered a significant improvement in sales from its USA business, up 13% over the prior corresponding half-year to \$6.1m compared to \$5.4m, when compared as reported. In constant currency, sales were 37% higher than the prior corresponding half-year. The increase in sales was

largely driven by the Company's launch into the neuro-diagnostic market, with sales increasing more than three-fold over the prior corresponding half-year. Importantly the Company also achieved growth of 6%, on a constant currency basis, in its sleep diagnostic business in the USA over the prior corresponding half-year.

- 2 The Company also achieved growth in its Australian, Asian and DWL businesses, posting growth of 24%, 26% and 3% respectively, on a constant currency basis, over the prior corresponding half-year. The DWL business delivered a 16% increase in orders taken over the prior corresponding half-year, however not all of these orders shipped by 31 December 2011.
- 3 The Company was adversely impacted in Europe, including Germany, where sales of diagnostic equipment fell 60%, on a constant currency basis, and also in Japan where sales were down 43% over the prior corresponding half-year.

Explanation of Profit after tax *(Appendix 4D item 2.6)*

Profit after tax for the half-year to 31 December 2011 was \$0.1m compared to a loss of \$1.1m for the prior corresponding half-year.

The significant improvement in earnings was largely a result of the Australian dollar remaining relatively constant over the six-month period to 31 December 2011 and the Company continuing to look for ways to drive efficiencies and cost reductions through the business to compensate for lower margins from its international businesses.

The Company remains committed to its strategic growth plans, whilst at the same time improving productivity and efficiency throughout the business in order to continue to generate consistent and growing profits, despite the "high-Australian-dollar" environment the Company is operating in, and expects to continue to operate in.

In terms of the key growth opportunities for the core sleep and neurological disorders monitoring equipment business the Company believes growth will continue to come from the following primary areas:

1. The entry of Compumedics into the global long-term EEG monitoring (LTM) market with the worldwide release of its new innovative LTM device, Neuvo®. As noted the Company has commenced its penetration of this new market opportunity booking more than \$1.8m in sales for the half-year, including prestigious key-opinion sites in the USA and Australia.
2. The expansion of our core sleep-diagnostic and brain (neurological) monitoring businesses in Europe and Asia. Specifically, Germany and France are being established as

direct sales bases. In Europe these plans have been slowed by the economic reality at present but the Company remains committed to generating incremental sales in this key market place. In Germany the Company is continuing to seek an appropriately qualified and experienced EEG sales representative to develop our presence in the EEG market there. In Asia the Company booked orders 41% higher than the prior corresponding half-year.

3. The evolution of the home-sleep-testing (HST) market in the USA. To-date this market continues in its formative stages and is taking longer to evolve, primarily because of the subdued market conditions there. Also, it is taking longer for the HST service providers to implement an efficient economic model within the context of the current reimbursement framework for HST studies.

Additionally, the Company will continue to look for ways to expand its sleep disorders business into sleep-treatment with the development of the SomniLink® SPAP® system market. The Company continues to pursue FDA clearance for this product for the US market and has commenced commercial discussions in other markets around the world where the device can currently be sold. Further we continue to develop the Italian market through our relationship with Medigas Italia.

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

No dividends were declared or paid in the period.

Compumedics Limited
Half-year report – 31 December 2011

| Contents | Page |
|--|-------------|
| Directors' Report | 6 |
| Auditor's independence declaration | 8 |
| Interim financial report | |
| Statement of comprehensive income | 9 |
| Statement of financial position | 11 |
| Statement of changes in equity | 12 |
| Statement of cash flows | 13 |
| Notes to the financial statements for the half-year ended 31 December 2011 | 14 |
| Directors' declaration | 23 |
| Independent auditor's review report to the members of Compumedics Limited | 24 |
| Supplementary Appendix 4D information | 26 |

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Compumedics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

Interim Report – 31 December 2011

Your directors present their report on the consolidated entity consisting of Compumedics Limited and the entities it controlled at the end of and during the half-year ended 31 December 2011.

Directors

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

Dr. D. Burton
Mr. A. Anderson
Dr. G. Mitchell

Review of Operations

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

| | 6 months ended Dec 2011 | 6 months ended Dec 2010 |
|--|-------------------------------|-------------------------------|
| Revenues from continuing operations (A\$'000) | 14,785 | 15,016 |
| (Loss)/Profit before interest, and tax (A\$'000) | 403 | (1,484) |
| (Loss)/Profit for the half-year (A\$'000) | 152 | (1,140) |
| Basic earnings per share (cents) | 0.001 | (0.01) |
| Diluted earnings per share (cents) | 0.001 | (0.01) |

Business / Product Group Performance

Compumedics net profit after tax in the half-year to 31 December 2011 was \$0.1m compared with a loss of \$1.1m in the prior corresponding half-year. The overall result was driven by a stabilisation in the Australian dollar compared to the US dollar over the six-month period to 31 December 2011.

Compumedics continues to focus on the identified growth opportunities for the Company and will pursue these in conjunction with productivity gains and cost reductions in order to continue to grow the earnings of the Company, despite the "high-Australian-dollar" environment the Company now trades in and expects to continue to trade in.

Compumedics continued to improve its financial metrics over the half-year to 31 December 2011 including:

- EBITDA for the half year to 31 December 2011 was \$0.9m compared to a \$(1.0)m loss before interest, tax, depreciation and amortisation in the prior corresponding half-year.
- Operating cash flows were positive \$0.7m for the half-year to 31 December 2011, compared to a negative \$1.3m in the half-year to 31 December 2010.
- Borrowings, at 31 December 2011, were stable at \$2.6 million compared to 30 June 2011 and 31 December 2010. The Company made \$0.4m in fixed loan repayments in the six-month period.
- Cash on hand at 31 December 2011 was \$1.3m compared to \$1.1m at 30 June 2011.

Events subsequent to reporting date

The Company is currently re-negotiating its facilities with its bank as part of its annual review process. The Company fully expects the outcome of this process to be renewed facilities on appropriate terms and conditions. The Company, however, does not anticipate the facility limits will be sufficient to enable the Company to fully fund working capital required to execute its business plan and capitalise on the renewed growth the Company is currently experiencing with its neuro-diagnostic product range, particularly out of the USA. As such the Company has commenced discussions regarding alternate sources of funding to enable the Company to fully capture this commercial opportunity, as well as the sleep –treatment opportunities. The Company will up-date the market as these discussions are formalised.

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 8.

Rounding of amounts

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

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



D. Burton
Executive Chairman

Melbourne
28th February, 2012

Auditor's Independence Declaration to the Directors of Compumedics Limited

In relation to our review of the financial report of Compumedics Limited for the half-year ended 31 December 2011, 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.

A stylized, handwritten signature of 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature of David Petersen, consisting of a stylized 'D' followed by a long horizontal line.

David Petersen
Partner
28 February 2012

Compumedics Limited
Statement of comprehensive income
for the half-year ended 31 December 2011

Consolidated

| | Notes | Half-year 2011 \$'000 | Half-year 2010 \$'000 |
|--|-------|-----------------------------|-----------------------------|
| Sale of goods | | 12,258 | 13,369 |
| Rendering of services | | 2,527 | 1,647 |
| Revenue | | 14,785 | 15,016 |
| Cost of sales | | (6,785) | (6,405) |
| Gross profit | | 8,000 | 8,611 |
| Other revenue | | 293 | 227 |
| Administration | | (2,183) | (2,228) |
| Sales & Marketing | | (3,656) | (4,047) |
| Research & Development | | (2,051) | (2,414) |
| Unrealised foreign exchange loss | 3 | - | (1,633) |
| Finance costs | | (259) | (174) |
| Profit/(Loss) before income tax | | 144 | (1,658) |
| Income tax credit / (expense) | | 8 | 518 |
| Profit/(Loss) after income tax | | 152 | (1,140) |
| Net profit/(Loss) for the period | | 152 | (1,140) |
| Other comprehensive income | | | |
| Foreign currency translation | | (315) | 737 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | (163) | (403) |

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

Compumedics Limited
Statement of comprehensive income
for the half-year ended 31 December 2011

| Notes | Half-year 2011 \$'000 | Half-year 2010 \$'000 |
|---|-----------------------------|-----------------------------|
| Earnings per share for profit attributable to the ordinary equity holders of the parent: | Cents | Cents |
| Basic earnings per share | 0.001 | (0.01) |
| Diluted earnings per share | 0.001 | (0.01) |

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

Compumedics Limited

Statement of financial position

as at 31 December 2011

| | Notes | 31 Dec 2011 \$'000 | 30 June 2011 \$'000 |
|--------------------------------------|-------|--------------------------|---------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 1,304 | 1,153 |
| Trade and other receivables | | 9,422 | 10,241 |
| Inventories | | 6,298 | 5,733 |
| Total current assets | | 17,024 | 17,127 |
| Non current assets | | | |
| Property, plant and equipment | | 909 | 816 |
| Intangible assets | 4 | 4,361 | 4,233 |
| Deferred tax assets | 6 | 936 | 928 |
| Total non current assets | | 6,206 | 5,977 |
| Total assets | | 23,230 | 23,104 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | | 4,700 | 4,593 |
| Interest bearing liabilities | 5 | 2,604 | 2,754 |
| Provisions | | 2,153 | 2,082 |
| Deferred revenues | | 880 | 790 |
| Income tax payable | | 78 | - |
| Total current liabilities | | 10,415 | 10,219 |
| Non current liabilities | | | |
| Interest bearing liabilities | 5 | 113 | - |
| Provisions | | 22 | 16 |
| Deferred revenues | | 88 | 114 |
| Total non current liabilities | | 223 | 130 |
| Total liabilities | | 10,638 | 10,349 |
| Net assets | | 12,592 | 12,755 |
| EQUITY | | | |
| Contributed equity | | 31,019 | 31,019 |
| Reserves | | (576) | (261) |
| Retained earnings | | (17,851) | (18,003) |
| Total equity | | 12,592 | 12,755 |

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

Compumedics Limited
Consolidated statement of changes
in equity for the half-year
ended 31 December 2011

| | Contributed equity \$,000 | Reserves \$,000 | Retained Earnings \$,000 | Total \$'000 |
|--|---------------------------------|--------------------|--------------------------------|-----------------|
| Balance at 1 July 2010 | 31,019 | (739) | (18,084) | 12,196 |
| Profit for the period | - | - | (1,140) | (1,140) |
| Other comprehensive income | - | 702 | - | 702 |
| Total comprehensive income / (loss) for the half year | - | 702 | (1,140) | (438) |
| Transactions with owners in their capacity as owners: | | | | |
| Balance at 31 December 2010 | 31,019 | (37) | (19,224) | 11,758 |
| Balance at 1 July 2011 | 31,019 | (261) | (18,003) | 12,755 |
| Profit for the period | - | | 152 | 152 |
| Other comprehensive income | - | (315) | - | (315) |
| Total comprehensive income / (loss) for the half year | - | (315) | 152 | (163) |
| Transactions with owners in their capacity as owners: | | | | |
| Balance at 31 December 2011 | 31,019 | (576) | (17,851) | 12,592 |

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

Compumedics Limited
Consolidated cash flow statement
for the half-year ended 31 December 2011

| | Notes | Half-year 2011 \$'000 | Half-year 2010 \$'000 |
|--|----------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of goods and services tax) | | 15,746 | 16,816 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (14,875) | (18,199) |
| Receipts from other income | | 93 | 227 |
| Interest received | | - | 2 |
| Interest paid | | (259) | (174) |
| Net cash from operating activities | | 705 | (1,328) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (75) | (117) |
| Purchase of intangible assets | | (441) | (429) |
| Net cash (outflow) from investing activities | | (516) | (545) |
| Cash flows from financing activities | | | |
| Contributed equity | | - | - |
| Repayments of finance leases | | (50) | (9) |
| Proceeds from borrowings | | 211 | 1,019 |
| Repayment of borrowings | | (400) | (250) |
| Net cash (outflow) from financing activities | | (239) | 769 |
| Net increase/(decrease) in cash and cash equivalents | | (50) | (1,103) |
| Cash and cash equivalents at the beginning of the period | | (80) | 1,281 |
| Net foreign exchange differences | | (13) | (190) |
| Cash and cash equivalents at the end of the period | 5 | (143) | (12) |

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

Compumedics Limited
Notes to the financial statements
for the half-year ended 31 December 2011

1 Basis of preparation and accounting policies

(a) Basis of preparation

The general purpose condensed financial report for the half-year ended 31 December 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all the notes of the type normally included within the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Compumedics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Apart from the changes in accounting policies noted below, the accounting policies adopted are consistent with the most recent Annual Report for the year ended 30 June 2011.

Changes in accounting policy

The accounting policies adopted for the interim condensed consolidated financial statements are consistent with those followed for the preparation of the Group's annual financial statements for the year ended 30 June 2011, and other standards issued as of 1 July 2011 do not have a significant impact on the consolidated financial statements of Compumedics Limited.

The Group has not elected to early adopt any other new standards, amendments or interpretations that are issued but not yet effective.

Compumedics Limited
Notes to the financial statements
for the half-year ended 31 December 2011

(b) Going Concern assumption

During the half-year ended 31 December 2011, Compumedics Limited generated a profit after tax of \$0.1m and positive cash flows from operations of \$0.7m. In the corresponding prior half-year Compumedics generated a loss after tax of \$1.1m and negative cash flows from operations of \$1.3m.

Compumedics Limited had a net debt position of \$1.3m at 31 December 2011, (cash at \$1.3m and bank debt at \$2.6m). The net debt position at June 2011 was \$1.6m (cash at \$1.2m and bank debts at \$2.8m).

The Company was holding orders-on-hand at 31 December 2011 of \$2.8m almost double the \$1.5m of orders-on-hand at 31 December 2010.

The Company is currently in an annual review process with its bank and expects revised banking arrangements to be effective from March 2012 on appropriate terms and conditions.

The Company, however, does not anticipate the facility limits will be sufficient to enable the Company to fully fund working capital required to execute its business plan and capitalise on the renewed growth the Company is currently experiencing with its neuro-diagnostic product range, particularly out of the USA. The Company also expects additional growth to come from the introduction of Compumedics new sleep-treatment product into Europe.

As such, the Company has commenced discussions regarding alternate sources of funding to enable the Company to fully capture these commercial opportunities. These discussions include non-bank lending and new equity options.

The Directors believe, based on current information available to them, that one of these alternate financing options will be successful.

As such, the financial report has been prepared on the basis that Compumedics Limited is a going concern, which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Compumedics Limited

**Notes to the consolidated financial statements
for the half-year ended 31 December 2011**

Note 2. Operating segment

Identification of reportable segments

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

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

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

Geographic locations

Americas

The Group's Americas based business includes, the United States, Canada and Latin America. The Group sells all of its product offerings in this region including sleep diagnostic systems, clinical EEG systems, brain monitoring systems, ultrasonic blood-flow systems, supplies and technical service and support. The USA business also includes the sleep diagnostic services business. Sales in the America's are predominantly direct sales to end-user customers. The USA office is based in Charlotte, North Carolina.

Australia and Asia Pacific

The Group's head office is based in Melbourne, Australia and the Australia and Asia Pacific territory includes all countries in the Asia Pacific region with major countries for the territory including Japan and China. The Group sells all of its product offerings in this region including sleep diagnostic systems, clinical EEG systems, brain monitoring systems, ultrasonic blood-flow systems, supplies and technical service and support. The group sells directly to end-user customers in Australia and via a network of distributors into the Asian region.

Europe and the Middle East

The Group's Europe-based business has its principle office in Singen, Germany with a second office in Hamburg Germany. The European territory includes all countries in the European region, plus all Middle Eastern countries. The Group sells all of its product offerings in this region

Compumedics Limited
Notes to the consolidated financial statements
for the half-year ended 31 December 2011

Note 2. Operating segment (continued)

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

The following table represents revenue and profit information for reportable segments for the half-years ended 31 December 2011 and 31 December 2010.

Half-year ended 31 December 2011

| | Continuing operations | | | | |
|--|-----------------------|---------------|--------------|-----------|---------------|
| | Australia and Asia | | | | |
| | USA | Pacific | Europe | Other | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue | | | | | |
| Sales to external customers | 6,094 | 5,481 | 3,210 | - | 14,785 |
| Intersegment sales | 480 | 948 | 111 | - | 1,539 |
| Other intersegment revenue | - | 39 | 523 | - | 562 |
| Total segment revenue | 6,574 | 6,468 | 3,844 | - | 16,886 |
| Intersegment elimination | (480) | (987) | (634) | - | (2,101) |
| Total revenue | 6,094 | 5,481 | 3,210 | - | 14,785 |
| Segment Result | (261) | 1,025 | 14 | - | 778 |
| Other income | - | - | - | 93 | 93 |
| Depreciation and amortisation | (11) | (372) | (85) | - | (468) |
| Finance costs | (26) | (192) | (41) | - | (259) |
| Net Profit/(Loss) before income tax per the Statement of Comprehensive Income | (298) | 462 | (113) | 93 | 144 |
| Segment Assets | 3,726 | 30,452 | 4,342 | - | 38,520 |
| Intersegment eliminations | (52) | (15,181) | (57) | - | (15,290) |
| Total assets per the Statement of Financial Position | 3,674 | 15,271 | 4,285 | - | 23,230 |

Compumedics Limited
Notes to the consolidated financial statements
for the half-year ended 31 December 2011

Half-year ended 31 December 2010

| | Continuing operations | | | | |
|--|-----------------------|----------------|--------------|------------|----------------|
| | Australia and Asia | | | | |
| | USA | Pacific | Europe | Other | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue | | | | | |
| Sales to external customers | 5,397 | 5,450 | 4,169 | - | 15,016 |
| Intersegment sales | 509 | 1,441 | 158 | - | 2,108 |
| Other intersegment revenue | - | 43 | - | - | 43 |
| Total segment revenue | 5,906 | 6,934 | 4,327 | - | 17,167 |
| Intersegment elimination | (509) | (1,484) | (158) | - | (2,151) |
| Total revenue | 5,397 | 5,450 | 4,169 | - | 15,016 |
| Segment Result | (404) | (1,048) | 283 | - | (1,169) |
| Other income | - | - | - | 228 | 228 |
| Depreciation and amortisation | (41) | (358) | (144) | - | (543) |
| Finance costs | (13) | (115) | (46) | - | (174) |
| Net Profit/(Loss) before income tax per the Statement of Comprehensive Income | (458) | (1,521) | 93 | 228 | (1,658) |
| Segment assets | 2,690 | 29,642 | 3,985 | - | 36,317 |
| Intersegment eliminations | (68) | (14,915) | (91) | - | (15,074) |
| Total assets per the Statement of Financial Position | 2,622 | 14,727 | 3,894 | - | 21,243 |

Compumedics Limited
Notes to the consolidated financial statements
for the half-year ended 31 December 2011

Note 3. Other expenses

On 1 January 2011 the Company reviewed its accounting policy in relation to the translation of intercompany loans to its offshore subsidiaries such that these loans were considered part of the investment in the subsidiary. As a consequence currency gains and losses arising on these loans have been taken to the Foreign Currency Translation Reserve (FCTR) effective 1st January 2011. The unrealised foreign exchange gain in the half-year to 31 December 2011 relates to trading activities in the Australian legal entity that are not hedged. The losses in the prior half-year relate to restatement of intergroup loans under the previous accounting policy, as well as unrealised losses related to trading activities in the Australian legal entity.

Note 4. Intangible assets

| | 31 Dec 11 \$'000 | 30 Jun 11 \$'000 |
|------------------|-----------------------------------|-----------------------------------|
| Intangible asset | \$4,361 | \$4,233 |

Intangible assets comprise capitalised development costs associated with the SomniLink® SPAP® sleep-treatment device. \$441k of development costs were capitalised in the half-year to 31 December 2011. Amortisation of \$313k is included in the profit and loss for the six months to 31 December 2011. The asset is being amortised over a period of 7 years, through to March 2017.

Compumedics Limited
Notes to the consolidated financial statements
for the half-year ended 31 December 2011

Note 5. Cash, Interest bearing liabilities and cash equivalents

| | 31 Dec 11 \$'000 | 30 Jun 11 \$'000 |
|---|-----------------------------------|-----------------------------------|
| Current interest bearing liabilities | 2,604 | 2,754 |
| Non-current interest bearing liabilities | 113 | - |
| Total interest bearing liabilities | 2,717 | 2,754 |
| Current interest bearing liabilities comprise: | | |
| Overdraft and trade facility | 1,447 | 1,233 |
| Fixed term commercial loans | 1,080 | 1,480 |
| Other | 77 | 41 |
| Total current interest bearing liabilities | 2,604 | 2,754 |
| Cash and cash equivalents | | |
| Cash | 1,304 | 1,153 |
| Overdraft and trade facility | (1,447) | (1,233) |
| Cash and cash equivalents | (143) | (80) |

Interest bearing liabilities comprise a fixed term commercial loan and working capital facilities provided by the Company's bank together with hire purchase facilities totalling \$194k.

There are two fixed term commercial loans. The first loan, with an outstanding balance of \$0.75m at 31 December 2011, is repayable over 3 years from February 2010 at an amortisation rate of \$0.125m per quarter (\$0.5m per annum). The second loan, with an outstanding balance of \$0.33m at 31 December 2011, is repayable at the rate of \$0.05m per month and will be repaid by June 2012. As the Company was in the process of renewing its facilities at 31 December 2011, but had not finalised this process, the whole outstanding amount of the commercial loan is classified as current interest bearing liabilities.

The Company reports cash flows back to cash and cash equivalents as noted in the table above, by subtracting overdrafts and other short-term working capital facilities from actual cash held by the Company at reporting date.

In the prior corresponding half-year the Company reported cash flows back to cash balances only. As a result the prior corresponding half-year numbers have been adjusted to be consistent with the current half-year. That is the prior corresponding half-year consolidated cash flows have been adjusted so they balance back to the cash and cash equivalent balances at that time.

Compumedics Limited
Notes to the consolidated financial statements
for the half-year ended 31 December 2011

Note 6. Income tax

Deferred tax assets and liabilities relate to the following:

| | 31 Dec 2011 \$'000 | 30 June 2011 \$'000 |
|---------------------------------------|-----------------------------------|------------------------------------|
| Deferred tax assets | | |
| Employee benefits | 429 | 399 |
| Borrowing costs | - | 25 |
| Provisions for inventory obsolescence | 312 | 629 |
| Provisions and accruals | 331 | 328 |
| Unrealised FX losses | 15 | 41 |
| Unused tax losses | 1,164 | 776 |
| Gross deferred tax assets | 2,251 | 2,198 |
| Deferred tax liabilities | | |
| Intangible asset | (1,315) | (1,270) |
| Gross deferred tax liabilities | (1,315) | (1,270) |
| Net deferred tax assets | 936 | 928 |

Note 7. Commitments

During the period ended 31st December 2011, the company successfully negotiated with its landlord to extend the current lease relating to the premises it occupies in Melbourne by a further 2 years from current lease term. As a consequence the Company has committed to leasing its current premises through to September 2014. The lease commitments payable under the new lease are as follows:

Approximate lease commitments due within one year are \$406k
 Approximate lease commitments due greater than one year are \$701k

Compumedics Limited
Notes to the consolidated financial statements
for the half-year ended 31 December 2011

Note 8. Explanation of non-IFRS measures of performance

| | 31 Dec 2011 \$'000 | 31 Dec 2010 \$'000 |
|--|-----------------------------------|-----------------------------------|
| Profit after tax | 152 | (1,140) |
| Tax expense / (benefit) | (8) | (518) |
| Interest expense | 259 | 174 |
| Earnings before interest and tax (EBIT) | 403 | (1,484) |
| Depreciation | 155 | 142 |
| Amortisation | 313 | 312 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 871 | (1,030) |

Compumedics Limited financial results are reported under International Financial Reporting Standards (IFRS). This market release also contains non-IFRS measures including EBITDA, EBIT and constant currency. These measures are presented to enable an understanding of the performance of the business before funding, taxation and the treatment of assets is taken into consideration and to review the performance of the business excluding foreign currency movements. The table above explains how EBITDA and EBIT have been calculated.

Reference to constant currency performance compares the current period performance to the corresponding prior period performance, adjusting the corresponding prior period performance using the current period foreign currency exchange rates. Comparing performance in this manner removes the distorting effects of movements in the period of the Australian dollar, when compared to the US dollar and the Euro, being the two primary foreign currencies the Company does business in. These measures are not subject to audit or review.

Note 9. Events occurring after balance date

The Company is currently re-negotiating its facilities with its bank as part of its annual review process. The Company fully expects the outcome of this process to be renewed facilities on appropriate terms and conditions. The Company, however, does not anticipate the facility limits will be sufficient to enable the Company to fully fund working capital required to execute its business plan and capitalise on the renewed growth the Company is currently experiencing with its neuro-diagnostic product range, particularly out of the USA. As such the Company has commenced discussions regarding alternate sources of funding to enable the Company to fully capture this commercial opportunity, as well as the sleep -treatment opportunities. The Company will up-date the market as these discussions are formalised.

Compumedics Limited
Directors' Declaration
for the half-year ended 31 December 2011

In accordance with a resolution of the Directors of Compumedics Limited I state that:

In the opinion of the directors':

(a) the financial statements and notes set out on pages 9 to 22 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Compumedics Limited will be able to pay its debts as and when they become due and payable.

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



David Burton
Executive Chairman

Melbourne
28th February 2012

To the members of Compumedics Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Compumedics Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Compumedics Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Compumedics Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of matters described in Note 1 'Going Concern' to the financial statements, there is a material uncertainty whether the Company will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.



Ernst & Young



David Petersen
Partner
Melbourne
28 February 2012

Compumedics Limited
Supplementary Appendix 4D information
for the half-year ended 31 December 2011

NTA Backing *(Appendix 4D item 3)*

| | 2011 | 2010 |
|---|-----------|-----------|
| Net tangible asset backing per ordinary share | 5.1 cents | 4.4 cents |

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

Details of dividends/distributions declared or paid during or subsequent to the year ended 31 December 2010 are as follows:

| Record date | Payment date | Type | Amount per security | Total dividend | Franked amount per security | Foreign sourced dividend amount per security |
|-------------|--------------|------|---------------------|----------------|-----------------------------|--|
| N/A | N/A | N/A | N/A | N/A | N/A | N/A |

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

NOT APPLICABLE

Compumedics Limited
Supplementary Appendix 4D information
for the half-year ended 31 December 2011

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

The major impacts to the revenues and expenses of the economic entity in the half-year to 31 December 2011 have already been disclosed elsewhere in this document.

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

The major factors impacting the assets and liabilities of the Company relate to the on-going focus of the Company on enhancing its financial performance. In this half year period as noted the movement in the Australian dollar to the US dollar and the Euro has also impacted the assets and liabilities of the Company.

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

The major factors impacting the cash flows of the Company relate to the on-going focus of the Company on enhancing its financial performance. In this half year period as noted the movement in the Australian dollar to the US dollar and the Euro has also impacted the assets and liabilities of the Company.