

COMPUMEDICS LIMITED

(ACN 006 854 897)

ASX final report – 30 June 2017

Lodged with the ASX under Listing Rule 4.3A

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			\$'000
Revenue from ordinary activities <i>(Appendix 4E item 2.1)</i>	Down 8% or \$3,127k	to	34,417
Profits before interest, tax, depreciation and amortisation	Down 44% or \$2,191k	to	2,786
Profits from ordinary activities after tax attributable to members <i>(Appendix 4E item 2.2)</i>	Down 60% or \$1,968k	to	1,305
Profits for the period attributable to members <i>(Appendix 4E item 2.3)</i>	Down 60% or \$1,968k	to	1,305

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

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

n/a

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

Group revenues at \$34.4m for the year ended 30 June 2017 were 8% lower than the prior corresponding period (pcp). The decrease in revenues was largely due to lower than expected sales in the US, as a result of restructuring activities associated with the management of the US business and sales team and more difficult market conditions in the US. US sales were 8% lower than the pcp. Sales in Australia and the DWL business were 28% and 12% lower than the pcp, respectively. Australian sales were in line with their long-term average for FY17, the decline reflecting an unusually strong performance in FY16, particularly in the neurology business.

Partially offsetting this was the strong performance of the Asia based business and in particular China, with overall growth in revenues for FY17 of 33% over the pcp. In addition the European based sleep and neurology business, including the Middle East and Latin America were steady compared to the pcp.

The Company booked new sales orders for the year ended 30th June 2017 of \$34m, a decline of 9% compared to new sales orders taken in the 12 months to 30th June 2016. The decline in sales orders taken was largely a result of the shortfall of sales in the US business, where the Company is finalising the changes it has implemented there over the last six months, and also more difficult market conditions there, than expected.

The Company finished the year with sales-orders on-hand of approximately \$4.3m compared to a \$5.2m at the same time last year.

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

As a result of the lower sales EBITDA declined over the prior year at \$2.8m for the year ended 30th June 2017, compared to the prior year EBITDA result of \$5.0m. Restructuring costs primarily associated with the US business of \$1.2m impacted EBITDA giving an underlying EBITDA of \$4.0m, before these costs. The reduced EBITDA reflects decreased shipments, largely out of the US, whilst margins positively contributed to EBITDA, improving to 55%, compared to 53% in the pcp. The improvement in margins reflects shipments of the new GraeL low-cost platform, and the efficiency gains from the project to outsource selected manufacturing, which is now largely complete.

The EBITDA result also reflects specific increases in investment related to the new generation growth platforms, which will start to generate incremental revenues and margin over the course of FY18.

The Company is continuing to assess other operational and logistical efficiency gains, which can be implemented, now that the manufacturing process changes are largely complete. These additional gains, once implemented, will have a positive impact on margins and EBITDA over FY18.

During the year ended 30 June 2017 the Company did capitalise some development costs (\$1.1m) largely associated with its new Somfit sleep monitoring platform and the MEG project. The combined intangible asset carrying value at 30 June 2017 was \$2.4m. The Company has continued to amortise existing intangible assets. During the year ended 30 June 2017 the amortisation charge was \$1.1m.

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

Profits from ordinary activities after tax at \$1.3m for the year ended 30 June 2017 declined from the \$3.3m profit recorded for the prior year.

The Company booked financing charges of \$0.3m, a further improvement on the \$0.4m for the prior year. Depreciation and amortisation was \$1.4m for the year ended 30 June 2017 compared to \$1.7m in the prior year.

The Company also booked an adjustment against its deferred tax asset in relation to deductible temporary differences amounting to \$258k.

Apart from these charges the above explanation for the EBITDA result for the year ended 30th June 2017 reflects the underlying operational impacts on earnings for the full year over the prior year.

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

No dividends have been declared or paid in the period.

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

	2017	2016
Net tangible asset backing per ordinary share	9.5 cents	6.9 cents

Compumedics Limited
Consolidated statement of profit or loss and other
comprehensive income
for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Revenue from continuing operations	34,417	37,544
Other income	782	729
Cost of sales	(15,366)	(17,621)
Administration	(5,361)	(5,292)
Sales & Marketing	(6,893)	(6,817)
Research & Development	(5,881)	(5,363)
Finance costs	(312)	(405)
Net foreign exchange gain	(280)	31
Profit before income tax	1,106	2,806
Income tax income	199	467
Profit for the full year	1,305	3,273
Profit attributable to members of Compumedics Limited	1,305	3,273
Net Profit for the year	1,305	3,273
Other comprehensive income / (loss)		
Items that may be subsequently reclassified to Profit or Loss when specific conditions are met:		
Foreign currency translation	(84)	(95)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,221	3,178
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents):		
Basic earnings per share	0.7	1.9
Diluted earnings per share	0.7	1.9

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

Compumedics Limited
Consolidated statement of financial position
as at 30 June 2017

	2017	2016
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	4,102	3,066
Receivables	13,117	11,934
Inventories	7,418	6,510
Other	654	856
Total current assets	25,291	22,366
Non-current assets		
Deferred tax asset	773	515
Property, plant and equipment	718	832
Intangible assets	2,446	2,409
Non-current assets	3,937	3,756
Total assets	29,228	26,122
LIABILITIES		
Current liabilities		
Payables	4,165	4,122
Borrowings	707	2,565
Provisions	2,697	2,762
Income tax payable	7	49
Deferred revenue	1,368	1,669
Total current liabilities	8,944	11,167
Non-current liabilities		
Borrowings	8	11
Provisions	16	8
Deferred revenues	209	340
Total non-current liabilities	233	359
Total liabilities	9,177	11,526
Net assets	20,051	14,596
EQUITY		
Contributed equity	35,653	31,419
Reserves	(738)	(654)
Retained losses	(14,864)	(16,169)
Total equity	20,051	14,596

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

Compumedics Limited
Consolidated statement of changes in equity
for the full year ended 30 June 2017

	Contributed equity \$,000	Reserves \$,000	Retained Losses \$,000	Total \$'000
Balance at 1 July 2015	31,269	(559)	(19,442)	11,268
Profit for the year	-	-	3,273	3,273
Other comprehensive income / (loss)	-	(95)	-	(95)
Total comprehensive income/(loss) for the year	-	(95)	3,273	3,178
Transactions with owners in their capacity as owners:				
New shares issued	150	-	-	150
Balance at 30 June 2016	31,419	(654)	(16,169)	14,596
Balance at 1 July 2016	31,419	(654)	(16,169)	14,596
Profit for the year	-	-	1,305	1,305
Other comprehensive income / (loss)	-	(84)	-	(84)
Total comprehensive income for the year	-	(84)	1,305	1,221
Transactions with owners in their capacity as owners:				
New shares issued	4,234	-	-	4,234
Balance at 30 June 2017	35,653	(738)	(14,864)	20,051

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

Compumedics Limited
Consolidated statement of cashflows
for the year ended 30 June 2017

	2017	2016
	\$'000	\$'000
Cash flow from operating activities		
Receipts from customers (inclusive of goods and services tax)	33,706	36,479
Payments to suppliers and employees (inclusive of goods and services tax)	(33,316)	(34,526)
Interest and other costs of finance paid	(312)	(405)
Income tax paid	(47)	(47)
Receipts from grants and other income	833	731
Net cash inflow from operating activities	5	864
Cash flows from investing activities		
Payments for property, plant and equipment	(148)	(304)
Payments for intangible assets	(1,143)	(1,235)
Net cash outflow from investing activities	(1,291)	(1,539)
Cash Flows from financing activities		
Proceeds from borrowings	-	2,050
Repayment of borrowings	(2,273)	(2,399)
Proceeds from equity	4,233	150
Net cash inflow/(outflow) from financing activities	1,960	(199)
Net increase/(decrease) in cash and cash equivalents	1,533	494
Cash and cash equivalents at the beginning of the year	1,919	1,350
Effects of exchange rate changes on cash	(54)	75
Cash and cash equivalents at the end of the financial year	3,398	1,919
This is represented by:		
Cash Assets	4,102	3,066
Invoice facility and overdraft (Interest bearing liabilities)	(704)	(1,147)
Net Cash	3,398	1,919

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

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017

1 Summary of significant accounting policies

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

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

Basis of preparation of consolidated financial report

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

This preliminary consolidated financial report for the year ended 30 June 2017 does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Compumedics Limited during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Stock Exchange Listing Rules.

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates

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

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

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017

Note 2. Operating segment

Identification of reportable segments

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

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

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

Geographic locations

Americas

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

Australia and Asia Pacific

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

Europe and the Middle East

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

Compumedics Limited
Notes to the consolidated financial statements
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Note 2. Operating segment (continued)

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

The following table represents revenue and profit information for reportable segments for the years ended 30 June 2017 and 30 June 2016.

Operating Segment
For the year ended 30 June 2017

\$'000	USA	Australia and Asia Pacific	Europe	Group
Sales to external customers	10,785	16,127	7,505	34,417
Intersegment sales	759	4,204	283	5,246
Other Intersegment Revenue	-	38	762	800
Total segment revenue	11,544	20,369	8,550	40,463
Inter-segment elimination	(759)	(4,242)	(1,045)	(6,046)
Total revenue per the Statement of Comprehensive Income	10,785	16,127	7,505	34,417
Segment result	(401)	3,091	96	2,786
Depreciation and amortisation				(1,368)
Finance cost				(312)
Other income				-
Net profit before income tax per the Statement of Comprehensive Income				1,106
Segment assets				
Operating assets	5,132	43,635	6,601	55,368
Intersegment eliminations	(116)	(26,024)	-	(26,140)
Total assets from continuing operations per the Statement of Financial Position	5,016	17,611	6,601	29,228

Compumedics Limited
Notes to the consolidated financial statements
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Note 2. Operating segment (continued)

Operating Segment
For the year ended 30 June 2016

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

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017

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

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

Dividend/distribution reinvestment plans *(Appendix 4E item 8)*
NOT APPLICABLE

Note 4. Events occurring after reporting date

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

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017

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

	2017	2016
	\$'000	\$'000
Profit/(Loss) for the year	1,305	3,273
Depreciation & amortisation	1,368	1,766
Net exchange differences	826	485
Change in operating assets and liabilities		
(Increase)/Decrease in receivables	(1,183)	(2,176)
(Increase)/Decrease in inventories	(908)	(791)
(Increase)/Decrease in other current assets	202	(515)
(Increase)/Decrease in deferred tax assets	(258)	(355)
Increase/(Decrease) in payables	43	(50)
Increase/(Decrease) in deferred revenues	(432)	432
Increase/(Decrease) in tax provisions	(42)	(11)
Increase/(Decrease) in other provisions	(57)	174
Net cash inflow from operating activities	864	2,232

Compumedics Limited
Supplementary Appendix 4E information
for the year ended 30 June 2017

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

	2017	2016
Net tangible asset backing per ordinary share	9.5 cents	6.9 cents

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

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

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

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

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

Earnings per share

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

Returns to shareholders

As per earnings per share commentary.

Significant features of operating performance

Comments already noted.

Compumedics Limited Supplementary Appendix 4E information for the year ended 30 June 2017

Results of segments

Primary Segments:

The primary business sectors reflect the main geographical markets the business operates in. As already discussed the US, Australian and Germany-based DWL businesses declined compared to the pcp. The Asia-based business, incorporating China, grew over the pcp.

Trends in performance

The primary focus of the Company will be to ensure on-going growth in its key markets for its core business so as to further grow revenues and underlying profitability.

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

All material matters have been discussed.

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

Not applicable.

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

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