

COMPUMEDICS LIMITED

(ACN 006 854 897)

ASX final report – 30 June 2018

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>	Up 7.5% or \$2,585k	to	37,002
Profits before interest, tax, depreciation and amortisation	Up 55% or \$1,478k	to	4,176
Profits from ordinary activities after tax attributable to members <i>(Appendix 4E item 2.2)</i>	Up 133% or \$1,479k	to	2,784
Profits for the period attributable to members <i>(Appendix 4E item 2.3)</i>	Up 133% or \$1,479k	to	2,784

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 \$37.0m for the year ended 30 June 2018 were 7.5% higher than the prior corresponding period (pcp). The increase in revenues was partly due to the Company booking a portion of the sale of its first MEG sale, which is currently being installed in the US. Sales were also higher as a result of a large sale in Germany, which helped lift European sales 108% higher than the pcp. The increase in Europe was also a result of higher sales in France and Europe generally. The Company's China-based sales grew 28% over the pcp, continuing a significant period of growth for the Company in this market, which now represents about 26% of total revenues.

Other areas of the business to grow included the US business, which up 6.3% over the pcp and DWL at 2% over the pcp. The Australian and Latin American businesses declined over the pcp, reflecting the cyclic nature of purchasing rather than any underlying trend.

The Company booked new and record sales orders for the year ended 30th June 2018 of almost \$40m, an increase of approximately 18% compared to new sales orders taken in the 12 months to 30th June 2017 of \$34m. The increase in sales orders taken was largely a result of the Company booking its first MEG sale to Barrow Neurological Center in the USA and also increases in sales orders taken in China, the US, Europe and DWL.

The Company finished the year with sales-orders on-hand of approximately \$6.9m compared to a \$4.3m 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 higher sales EBITDA increased over the prior year to \$4.2m for the year ended 30th June 2018, compared to the prior year EBITDA result of \$2.7m. The increased EBITDA reflects increased shipments to Europe, China, the US and DWL and also the initial partial invoicing of the MEG sale, as the installation continues in the US. Margins positively contributed to EBITDA, improving to 2% to 57%, compared to 55% in the pcp. The improvement in margins reflects continuing and expanding shipments of the new Graef 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 FY19.

The Company will continue to assess other operational efficiency gains, which can be implemented and locked in over the coming year. These additional gains, once implemented, will have a positive impact on margins and EBITDA throughout FY19 and into FY20.

During the year ended 30 June 2018 the Company did capitalise some development costs (\$1.8m) largely associated with its new Somfit sleep monitoring platform and the MEG project. The combined intangible asset carrying value at 30 June 2018 was \$4.0m. The Company has continued to amortise existing intangible assets, where it is appropriate to do so. During the year ended 30 June 2018 the amortisation charge was \$0.2m.

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

Profits from ordinary activities after tax for the year ended 30 June 2018 increased to \$2.8m from the \$1.3m profit recorded for the prior year.

The Company booked financing charges of \$0.2m, a further improvement on the \$0.3m for the prior year. Depreciation and amortisation was \$0.5m for the year ended 30 June 2018 compared to \$1.3m in the prior year. The decline in amortisation charges was due to the intangible asset related to the first generation, sleep treatment technology, being fully amortised at the end of FY17.

The Company also booked an adjustment against its deferred tax asset in relation to deductible temporary differences and utilisation of tax losses amounting to \$0.6m.

Apart from these charges the above explanation for the EBITDA result for the year ended 30th June 2018 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)*

	2018	2017
Net tangible asset backing per ordinary share	10.8 cents	9.5 cents

Compumedics Limited
Consolidated statement of profit or loss and other
comprehensive income
for the year ended 30 June 2018

	2018	2017
	\$'000	\$'000
Revenue from continuing operations	37,002	34,417
Other income	612	782
Cost of sales	(15,815)	(15,366)
Administration	(5,507)	(5,361)
Sales & Marketing	(7,516)	(6,893)
Research & Development	(5,107)	(5,881)
Finance costs	(207)	(312)
Net foreign exchange gain	25	(280)
Profit before income tax	3,487	1,106
Income tax income	703	199
Profit for the full year	2,784	1,305
Profit attributable to members of Compumedics Limited	2,784	1,305
Net Profit for the year	2,784	1,305
Other comprehensive income / (loss)		
Items that may be subsequently reclassified to Profit or Loss when specific conditions are met:		
Foreign currency translation	325	(84)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,109	1,221
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents):		
Basic earnings per share	1.6	0.7
Diluted earnings per share	1.6	0.7

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 2018

	2018	2017
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	3,906	4,102
Receivables	16,451	13,117
Inventories	7,561	7,418
Other	1,882	654
Total current assets	29,800	25,291
Non-current assets		
Deferred tax asset	144	773
Property, plant and equipment	666	718
Intangible assets	4,042	2,446
Non-current assets	4,852	3,937
Total assets	34,652	29,228
LIABILITIES		
Current liabilities		
Payables	5,087	4,165
Borrowings	1,853	707
Provisions	2,709	2,697
Income tax payable	71	7
Deferred revenue	1,571	1,368
Total current liabilities	11,291	8,944
Non-current liabilities		
Borrowings	38	8
Provisions	24	16
Deferred revenues	139	209
Total non-current liabilities	201	233
Total liabilities	11,492	9,177
Net assets	23,160	20,051
EQUITY		
Contributed equity	35,654	35,654
Reserves	(414)	(739)
Retained losses	(12,080)	(14,864)
Total equity	23,160	20,051

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 2018

	Contributed equity \$,000	Reserves \$,000	Retained Losses \$,000	Total \$,000
Balance at 1 July 2017	31,420	(655)	(16,169)	14,596
Profit for the year	-	-	1,305	1,305
Other comprehensive income / (loss)	-	(84)	-	(84)
Total comprehensive income/(loss) 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	35,654	(739)	(14,864)	20,051
Balance at 1 July 2017	35,654	(739)	(14,864)	20,051
Profit for the year	-	-	2,784	2,784
Other comprehensive income / (loss)	-	325	-	325
Total comprehensive income for the year	-	325	2,784	3,109
Transactions with owners in their capacity as owners:				
New shares issued	-	-	-	-
Balance at 30 June 2018	35,654	(414)	(12,080)	23,160

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 2018

	2018	2017
	\$'000	\$'000
Cash flow from operating activities		
Receipts from customers (inclusive of goods and services tax)	33,159	33,706
Payments to suppliers and employees (inclusive of goods and services tax)	(33,003)	(33,316)
Interest and other costs of finance paid	(207)	(312)
Income tax paid	(9)	(47)
Receipts from grants and other income	619	833
Net cash inflow from operating activities	5	864
Cash flows from investing activities		
Payments for property, plant and equipment	(208)	(148)
Payments for intangible assets	(1,816)	(1,143)
Net cash outflow from investing activities	(2,024)	(1,291)
Cash Flows from financing activities		
Proceeds from borrowings	1,153	-
Repayment of borrowings	-	(2,273)
Proceeds from equity	-	4,233
Net cash inflow/(outflow) from financing activities	1,153	1,960
Net increase/(decrease) in cash and cash equivalents	(312)	1,533
Cash and cash equivalents at the beginning of the year	3,398	1,919
Effects of exchange rate changes on cash	114	(54)
Cash and cash equivalents at the end of the financial year	3,200	3,398
This is represented by:		
Cash Assets	3,906	4,102
Invoice facility and overdraft (Interest bearing liabilities)	(706)	(704)
Net Cash	3,200	3,398

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 2018

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 2018 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 2018 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 2018

Note 2. Operating segment

Identification of reportable segments

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

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

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

Geographic locations

Americas

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

Australia and Asia Pacific

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

Europe and the Middle East

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

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2018

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 2018 and 30 June 2017.

Operating Segment
For the year ended 30 June 2018

\$'000	USA	Australia and Asia Pacific	Europe	Group
Sales to external customers	12,042	14,815	10,145	37,002
Intersegment sales	862	4,447	678	5,987
Other Intersegment Revenue		8	1,306	1,314
Total segment revenue	12,904	19,270	12,129	44,303
Inter-segment elimination	(862)	(4,454)	(1,983)	(7,299)
Total revenue per the Statement of Comprehensive Income	12,042	14,816	10,146	37,004
Segment result	2,032	1,040	1,104	4,176
Depreciation and amortisation				(482)
Net Interest (expense) / income				(207)
				-
Net profit before income tax per the Statement of Comprehensive Income				3,487
Segment assets				
Operating assets	7,415	49,000	3,716	60,131
Intersegment eliminations	-	(25,479)	-	(25,479)
Total assets from continuing operations per the Statement of Financial Position	7,415	23,521	3,716	34,652

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Notes to the consolidated financial statements
for the year ended 30 June 2018

Note 2. Operating segment (continued)

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)
Net Interest (expense) / income				(312)
Net loss 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
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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 2018

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

	2018	2017
	\$'000	\$'000
Profit/(Loss) for the year	2,784	1,305
Depreciation & amortisation	482	1,368
Net exchange differences	230	826
Change in operating assets and liabilities		
(Increase)/Decrease in receivables	(3,334)	(1,183)
(Increase)/Decrease in inventories	(144)	(908)
(Increase)/Decrease in other current assets	(1,227)	202
(Increase)/Decrease in deferred tax assets	629	(258)
Increase/(Decrease) in payables	921	43
Increase/(Decrease) in deferred revenues	133	(432)
Increase/(Decrease) in tax provisions	65	(42)
Increase/(Decrease) in other provisions	20	(57)
Net cash inflow from operating activities	559	864

Compumedics Limited
Supplementary Appendix 4E information
for the year ended 30 June 2018

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

	2018	2017
Net tangible asset backing per ordinary share	10.8 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 2018

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 increased 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.