

# **COMPUMEDICS LIMITED**

(ACN 006 854 897)

## **ASX final report – 30 June 2019**

Lodged with the ASX under Listing Rule 4.3A

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			<b>\$'000</b>
<b>Revenue</b> from ordinary activities <i>(Appendix 4E item 2.1)</i>	Up 12.2% or \$4,503k	to	<b>41,505</b>
<b>Profits</b> before interest, tax, depreciation and amortisation	Up 40% or \$1,668k	to	<b>5,884</b>
<b>Profits</b> from ordinary activities after tax attributable to members <i>(Appendix 4E item 2.2)</i>	Up 43% or \$1,204k	to	<b>3,988</b>
<b>Profits</b> for the period attributable to members <i>(Appendix 4E item 2.3)</i>	Up 43% or \$1,204k	to	<b>3,988</b>

<b>Dividends/distributions</b> <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
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**Explanation of Revenue** *(Appendix 4E item 2.6)*

Group revenues at \$41.5m for the year ended 30 June 2019 were a record for the Company and 12% higher than the prior corresponding period (pcp). The increase in revenues was partly due to the Company booking a further portion of the MEG sale, with the first phase of the installation now complete. The Company's China-based sales grew 26% over the pcp, continuing a significant period of growth for the Company in this market, which now represents about 32% of total revenues. Sales were also higher as a result of increasing sales in the DWL business, based in Germany, up 17% on the pcp and in the USA, up 16% on the pcp.

Other areas of the business to grow included Latin America, which was up 275%, over the pcp, albeit off a small base. Importantly the Company made its first shipments to Fukuda Denshi in Japan for its range of neuro-diagnostic products. The Company also booked Nexus 360 revenues of \$0.6m in the year ended 30 June 2019, representing 112% growth over the pcp. This revenue although relatively small, represents the Company's move to sell its core sleep and neuro diagnostic and monitoring software, on a software as a service basis. The Australian diagnostic businesses declined over the pcp, reflecting changes in reimbursement in the market, whilst France and other parts of Europe performed similar to, or below, the pcp.

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The Company booked new and record sales orders for the year ended 30<sup>th</sup> June 2019 of \$40.5m, an increase of approximately 7.5% compared to new sales orders taken in the 12 months to 30<sup>th</sup> June 2018 of \$40m, excluding MEG. The increase in sales orders taken was largely a result of organic growth within the core business, particularly in China, the DWL business, based in Germany, and the Company's US based business.

The Company finished the year with sales-orders on-hand of approximately \$7.7m compared to a \$6.9m at the same time last year.

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

As a result of the higher sales EBITDA increased to \$5.9m for the year ended 30<sup>th</sup> June 2019, compared to the prior year EBITDA result of \$4.2m. The increased EBITDA reflects increased shipments to China, the US and DWL and a further partial invoicing of the MEG sale, as the first phase of the installation was undertaken. Margins positively contributed to EBITDA, improving to 60%, compared to 57% in the pcp. The improvement in margins reflects continuing and expanding shipments of the new Grael low-cost platform, and the efficiency gains from the project to outsource selected manufacturing, which is now largely complete. Further gains will be had as new ambulatory products are released through FY20.

The EBITDA result also reflects specific increases in on-going investment related to the MEG business and to a suite of next generation products for the core business, which will start to generate incremental revenues and margin over the course of FY20.

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

During the year ended 30 June 2019 the Company did capitalise development costs (\$3.0m) largely associated with its new Somfit sleep monitoring platform and the MEG project. The combined intangible asset carrying value at 30 June 2019 was \$6.8m. The Company has continued to amortise existing intangible assets, where it is appropriate to do so. During the year ended 30 June 2019 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 2019 increased to \$4.0m from the \$2.8m profit recorded for the prior year.

The Company booked financing charges of \$0.3m, a slight increase on the \$0.2m for the prior year reflecting a small increase in debt associated with the MEG business. Depreciation and amortisation were \$0.5m for the year ended 30 June 2019, compared to \$0.5m in the prior year.

The Company, having fully utilised its tax losses booked income tax expense of \$1.1m, which relates to deferred tax liabilities.

Apart from these charges the above explanation for the EBITDA result for the year ended 30<sup>th</sup> June 2019 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)*

	2019	2018
Net tangible asset backing per ordinary share	11.6 cents	10.8 cents

**Compumedics Limited**  
**Consolidated statement of profit or loss and other**  
**comprehensive income**  
**for the year ended 30 June 2019**

	2019 \$'000	2018 \$'000
<b>Revenue from continuing operations</b>	<b>41,505</b>	<b>37,002</b>
Other income	381	612
Cost of sales	(16,750)	(15,815)
Administration	(6,424)	(5,507)
Sales & Marketing	(8,471)	(7,516)
Research & Development	(5,319)	(5,107)
Finance costs	(261)	(207)
Net foreign exchange gain	412	25
<b>Profit before income tax</b>	<b>5,073</b>	<b>3,487</b>
Income tax expense	(1,085)	(703)
<b>Profit for the full year</b>	<b>3,988</b>	<b>2,784</b>
Profit attributable to members of Compumedics Limited	3,988	2,784
<b>Net Profit for the year</b>	<b>3,988</b>	<b>2,784</b>
<b>Other comprehensive income / (loss)</b>		
Items that may be subsequently reclassified to Profit or Loss when specific conditions are met:		
Foreign currency translation	156	325
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>4,144</b>	<b>3,109</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents):</b>		
Basic earnings per share	2.3	1.6
Diluted earnings per share	2.3	1.6

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 2019**

	2019 \$'000	2018 \$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,598	3,906
Receivables	15,980	16,198
Inventories	7,799	7,561
Other	1,837	2,135
<b>Total current assets</b>	<b>30,214</b>	<b>29,800</b>
<b>Non-current assets</b>		
Deferred tax asset	0	144
Property, plant and equipment	1,652	666
Intangible assets	6,795	4,042
<b>Non-current assets</b>	<b>8,447</b>	<b>4,852</b>
<b>Total assets</b>	<b>38,661</b>	<b>34,652</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	4,386	5,087
Borrowings	1,570	1,853
Provisions	2,850	2,709
Income tax payable	68	71
Deferred revenue	1,376	1,571
<b>Total current liabilities</b>	<b>10,250</b>	<b>11,291</b>
<b>Non-current liabilities</b>		
Borrowings	23	38
Provisions/Deferred tax liabilities	968	24
Deferred revenues	116	139
<b>Total non-current liabilities</b>	<b>1,107</b>	<b>201</b>
<b>Total liabilities</b>	<b>11,357</b>	<b>11,492</b>
<b>Net assets</b>	<b>27,304</b>	<b>23,160</b>
<b>EQUITY</b>		
Contributed equity	35,654	35,654
Reserves	(258)	(414)
Retained losses	(8,092)	(12,080)
<b>Total equity</b>	<b>27,304</b>	<b>23,160</b>

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 2019**

	Contributed equity \$,000	Reserves \$,000	Retained Losses \$,000	Total \$,000
<b>Balance at 1 July 2017</b>	<b>35,654</b>	<b>(739)</b>	<b>(14,864)</b>	<b>20,051</b>
Profit for the year	-	-	2,784	2,784
Other comprehensive income / (loss)	-	325	-	325
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>325</b>	<b>2,784</b>	<b>3,109</b>
<b>Transactions with owners in their capacity as owners:</b>				
New shares issued	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>35,654</b>	<b>(414)</b>	<b>(12,080)</b>	<b>23,160</b>
<b>Balance at 1 July 2018</b>	<b>35,654</b>	<b>(414)</b>	<b>(12,080)</b>	<b>23,160</b>
Profit for the year	-	-	3,988	3,988
Other comprehensive income / (loss)	-	156	-	156
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>156</b>	<b>3,988</b>	<b>4,144</b>
<b>Transactions with owners in their capacity as owners:</b>				
New shares issued	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>35,654</b>	<b>(258)</b>	<b>(8,092)</b>	<b>27,304</b>

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 2019**

	2019 \$'000	2018 \$'000
<b>Cash flow from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	41,334	33,159
Payments to suppliers and employees (inclusive of goods and services tax)	(36,310)	(33,003)
Interest and other costs of finance paid	(261)	(207)
Income tax paid	(26)	(9)
Receipts from grants and other income	399	619
<b>Net cash inflow from operating activities</b>	<b>5</b>	<b>559</b>
<b>Cash flows from investing activities</b>		
Payment for property, plant and equipment	(1,314)	(208)
Payment for intangible assets	(2,972)	(1,816)
<b>Net cash outflow from investing activities</b>	<b>(4,286)</b>	<b>(2,024)</b>
<b>Cash Flows from financing activities</b>		
Proceeds from borrowings	881	1,153
Repayment of borrowings	(732)	-
Proceeds from equity	-	-
<b>Net cash inflow/(outflow) from financing activities</b>	<b>149</b>	<b>1,153</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>999</b>	<b>(312)</b>
Cash and cash equivalents at the beginning of the year	3,200	3,398
Effects of exchange rate changes on cash	172	114
<b>Cash and cash equivalents at the end of the financial year</b>	<b>4,371</b>	<b>3,200</b>
<b>This is represented by:</b>		
Cash Assets	4,598	3,906
Invoice facility and overdraft (Interest bearing liabilities)	(227)	(706)
<b>Net Cash</b>	<b>4,371</b>	<b>3,200</b>

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 2019**

## **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 2019 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.

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**Compumedics Limited**  
**Notes to the consolidated financial statements**  
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## **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.

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**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 2019 and 30 June 2018.

**Operating Segment**  
**For the year ended 30 June 2019**

<b>\$'000</b>	<b>USA</b>	<b>Australia and Asia Pacific</b>	<b>Europe</b>	<b>Group</b>
Sales to external customers	13,773	18,634	9,098	41,505
Intersegment sales	626	3,794	883	5,303
Other Intersegment Revenue	-	-	200	200
<b>Total segment revenue</b>	<b>14,399</b>	<b>22,428</b>	<b>10,181</b>	<b>47,008</b>
Inter-segment elimination	(626)	(3,794)	(1,083)	(5,503)
<b>Total revenue per the Statement of Comprehensive Income</b>	<b>13,773</b>	<b>18,634</b>	<b>9,098</b>	<b>41,505</b>
<b>Segment result</b>	<b>769</b>	<b>5,712</b>	<b>(597)</b>	<b>5,884</b>
Depreciation and amortisation	(121)	(98)	(331)	(550)
Net Interest (expense) / income	(32)	(188)	(41)	(261)
<b>Net profit before income tax per the Statement of Comprehensive Income</b>	<b>616</b>	<b>5,426</b>	<b>(969)</b>	<b>5,073</b>
<b>Segment assets</b>				
Operating assets	7,164	56,655	6,468	70,287
Intersegment eliminations	-	(31,626)	-	(31,626)
<b>Total assets from continuing operations per the Statement of Financial Position</b>	<b>7,164</b>	<b>25,029</b>	<b>6,468</b>	<b>38,661</b>

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

**Operating Segment**  
**For the year ended 30 June 2018**

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

**Compumedics Limited**  
**Notes to the consolidated financial statements**  
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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.

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

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit/(Loss) for the year	3,988	2,784
Depreciation & amortisation	550	482
Net exchange differences	23	230
<b>Change in operating assets and liabilities</b>		
(Increase)/Decrease in receivables	471	(3,334)
(Increase)/Decrease in inventories	(237)	(144)
(Increase)/Decrease in other current assets	45	(1,227)
(Increase)/Decrease in deferred tax assets	144	629
Increase/(Decrease) in payables	(701)	921
Increase/(Decrease) in deferred revenues	(218)	133
Increase/(Decrease) in tax provisions	940	65
Increase/(Decrease) in other provisions	131	20
<b>Net cash inflow from operating activities</b>	<b>5,136</b>	<b>559</b>

**Compumedics Limited**  
**Supplementary Appendix 4E information**  
**for the year ended 30 June 2019**

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

	2019	2018
Net tangible asset backing per ordinary share	11.6 cents	10.8 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.

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**Compumedics Limited**  
**Supplementary Appendix 4E information**  
**for the year ended 30 June 2019**

***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.

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