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Annual Report 2023

- > SLEEP DIAGNOSTICS & TREATMENT
- > NEURO DIAGNOSTICS
- > BRAIN RESEARCH
- > ULTRASONIC BLOOD FLOW MONITORING
- > MEDICAL INNOVATIONS





‘Defining *Life’s* Signals’

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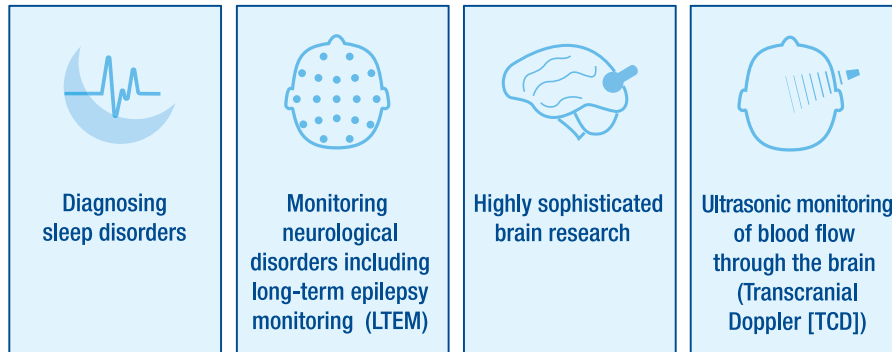
Compumedics Limited
ABN 95 006 854 897

Annual General Meeting
Thursday, 26th October, 2023
at 10.30am

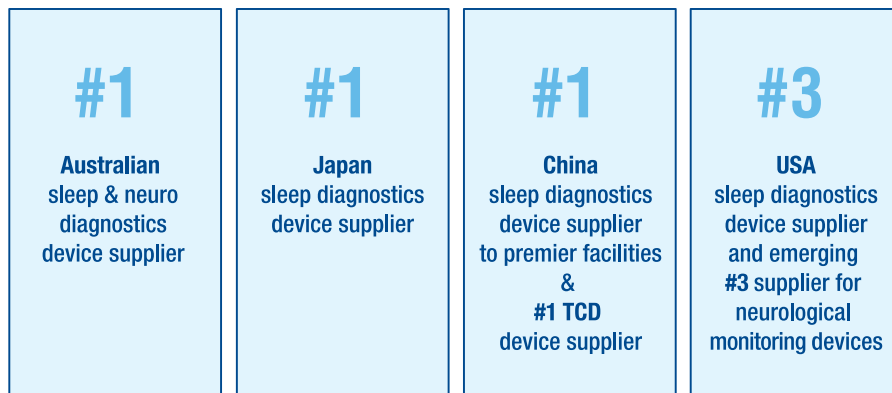
To be held at:
Compumedics Limited
30-40 Flockhart Street Abbotsford
Victoria 3067 and Virtually

Who is Compumedics?

Compumedics is a leading global, innovative developer and manufacturer of medical devices for:



Compumedics is a technological leader in its chosen markets:



Since 1987 Compumedics has grown into a company:

- with 135 employees across seven locations, Melbourne, Australia (Home Office), Charlotte, NC, USA, Hamburg, Dresden and Singen, Germany, Paris, France and Daejeon, South Korea.
- which listed on the ASX on Dec 21, 2000.
- that has generated more than \$730m in revenues since listing of which over \$620m have been export revenues.

All \$ = A\$ unless otherwise specified

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David Burton, Ph.D.

*Executive Chairman and Chief Executive Officer
Compumedics Limited*

*Dear Compumedics investors,
colleagues, and business partners,*

On behalf of the Board, management and the Compumedics team, we present to you the following highlights in the results contained within the Compumedics 2023 Annual Report. We would also like to take this opportunity to thank our clients, shareholders, partners and staff for their support, loyalty, and dedication during the past 2023 financial year.

We are pleased to see our revenue growth strengthen, amidst strong investment and corresponding commercial traction across our Somfit® and Orion LifeSpan™ MEG system, together with our Nexus™ 360/ Software as a Service (SaaS) breakout-growth opportunities.

Revenue increased 12% to \$42.4m for the year ended 30 June 2023.

Earnings before interest, tax, depreciation, and amortisation (EBITDA) returned to profit in H2 FY23 at \$2.7m. This partially offset the EBITDA loss of \$4.7m in H1 FY23. The resulting EBITDA loss for the full year FY23 was \$2.0m, compared to an EBITDA profit of \$3.3m in FY22. Net profit after tax (NPAT) was a loss of \$6.1m, compared to a profit of \$1.4m for FY22. This H1 loss was mainly attributable to writing down MEG development costs, given the high degree of complexity of this project. None-the-less, a number of recent advances led to the shipment of Orion LifeSpan™ MEG system as part of winning the major magnetoencephalography (MEG) contract for China's prestigious Tianjin Normal University (TJNU) – home of the faculty of Psychology (CMP ASX release – 12 January 2022).

Driven by substantial investment to advance our new breakout-growth opportunities, cash on hand decreased to \$3.8m for FY23, compared to \$7.1m for FY22. Debt levels increased to \$7.43m compared to \$6.3m for FY22.

Compumedics 23FY Highlights: Strong core business growth coupled with significant Somfit® and MEG commercial traction

- Significant commercial traction with both Somfit® and MEG breakout businesses
- Strong core business growth
- Somfit® revenues commenced in Australia, at \$0.6m for FY23 (NIL for FY22). Somfit® orders taken in FY23 \$1.2m (NIL for FY22)
- Okti,™ the World's first of its kind Neuro/encephalography(EEG) high-density amplifier achieved US FDA 510(K) market approval, further paving the way for a renewed focus on strengthening our USA business (ASX: CMP 8Mch23)
- Compumedics acquired and integrated into its wider organization the European Based alpha trace (Dr. Grossegger & DRBAL GmbH). The alpha trace transaction fulfills two of Compumedics current stated growth objectives, to grow our European business and also to grow our neuro-diagnostic business (ASX: CMP 27Sep22) .

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KEY PERFORMANCE MEASURES

✓ **NEXUS™ 360**
CLOUD CLINIC
SERVICES STRATEGY

✓ **SOMFIT®**
PROFESSIONAL
SLEEP SERVICES
CONTRACTS SIGNED

✓ **TJNU MEG
SHIPPED**

SOMFIT® REVENUES
▲ **\$0.6M**
UP FROM \$0.0M in FY22

**NEXUS™ 360
(SaaS) REVENUES**
▲ **\$1.7M**
UP FROM \$1.3M in FY22

**HOME SLEEP TEST
MARKET SHARE AUS**
▲ **15% SECURED**
FROM NIL IN FY23

ORDERS TAKEN
▲ **\$42.4M**
UP FROM \$41.5M IN FY22

REVENUE
▲ **\$42.4M**
UP FROM \$37.8M IN FY22

NET PROFIT AFTER TAX
▼ **\$6.1M**
FROM \$1.4M PROFIT IN FY22

Further underscoring the strength of the core business profitability, over \$3.5m was invested in next-generation growth platforms (medical innovations) including Somfit® sleep-healthcare and the associated health SAAS business model.

Gross margins decreased from 51% in FY22 to 50% in FY23, mainly as a consequence of ongoing global supply issues and the inflationary impact of this on the Company.

From a Compumedics Board perspective we welcomed the appointment of Mr Rod North (ASX:CMP 27Oct23). We also farewelled, with gratitude, Mr Paul Jenz, who retired from the Compumedics Ltd Board (ASX:CMP 6Apr23).

OPERATIONS, QUALITY REGULATORY SYSTEM AND SERVICE

Continued Focus on Quality, Production, Productivity and Overall Operational Performance.

Compumedics remains focussed on continued improvements to service, quality and productivity initiatives, in order to enhance our Company's reputation and operational efficiencies.

New Surface Mount Technology (SMT) production line:

Improved operational efficiencies were achieved with the launching of a new, latest generation SMT Line for inhouse manufacturing. This initiative minimizes dependencies on external contract manufacturers, leading to enhanced on-time delivery capabilities and reductions in operational costs.

Quality and Productivity focus with Ongoing Manufacturing and Operational Initiatives: This focus includes continual staff training, updated equipment, upgrades in staff best practices, and improved vendor assessment.

New 23FY Production Lines: Okti,[™] Somfit® and Somfit® Pro.

24FY objectives include: Enhancement of shop floor data controls to improve automation and record management. Further manufacturing automation to improve process quality, efficiency, on-time delivery enhancements, and work-order throughput improvements.

Global Service Achievements included continued focus on improving global service call centre, repair centre, call resolution, and service contract performance, along with ongoing customer satisfaction outcomes.

Global Quality Regulatory System (QRS) Achievements included product registrations and renewals across Okti[™], GraeL LT® v2, and Somte® PSG in more than 20 countries. Other QRS achievements included:

- Somnilink® NIV added to TGA/ARTG listed products.
- 510K approval process commenced for Somfit®/Somfit® Pro, Falcon[™] and Coriss® Stimulator
- Regulatory approval process commenced for MDSAP & MDR and we continued maintenance of ISO13485, MDD and ISO 27001
- Integrated Management System goals have been achieved through internal/external customer focus with the implementation of integrated quality information platforms to enhance our QRS and regulatory approvals
- In FY24, Compumedics is expected to achieve full certification for MDSAP, MDR and ISO 27001-2022
- Product registrations processes will also be advanced across countries such as Brazil, Philippines, Peru, and Morocco.



Somfit®



Somfit® PRO



Somfit® Pro System

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Somfit® and Somfit® Pro Commercial Activation

Somfit® Strategic Objective: The strategic objective for Somfit® is the use of its platform technology in a consumer environment providing actionable sleep health information and/or other interventions to improve patient health outcomes.

Somfit® Superior Value Proposition: Somfit® provides a more comfortable, convenient, and cost-effective way for people with sleep problems to assess and monitor their sleep-health.

Somfit® Unique Selling Proposition:

- **Highly scalable:** quality health SaaS business model
- **Clinical grade at home device:** Light and comfortable for the patient while enabling collection of high-quality signals to provide medical-grade (reimbursable) data
- **Greater convenience:** At-home monitoring eliminates the need for patients to travel to a hospital or sleep clinic, which can be time-consuming and inconvenient
- **Reduced cost:** At-home monitoring is less expensive than hospital monitoring, as it eliminates the need for hospital.

Somfit® 23FY Market Traction:

Australia

- A\$1.2m orders received in FY2023.
- A\$0.6m invoiced.
- Australia's leading HST provider signed a 5-year agreement moving 100% to Somfit® Pro.
- QLD distributor appointed.
- 2 large Insomnia trials started, 1 completed (n=50, n=260).
- Additional product validation study completed (n=105) with publication anticipated in Q3 FY2024.
- ANZ Distribution strategy rollout commenced, with full national distribution planned for completion by March 2024.

USA

- 510k USA Market clearance application submitted in May 2023.

Somfit® Background

In 23FY Compumedics successfully undertook the advanced phases of a manufacturing and health services \$3.85 million joint-project (79% CMP and 21% Gov.), with the Victorian Government Department of Jobs, Skills, Industries and Regions. This project enabled the commissioning of the latest generation SMT Somfit® automated production capability, coupled with a range of new employment opportunities covering sleep scientific, technical, production and Australian based Somfit® clinical validation study collaborations.

This new CMP/Vic Gov Somfit® project helps to drive Victorian post-pandemic employment as well as build upon Compumedics well-established export track record contributing to both National and State interest including knowledge, healthcare, innovation, science and engineering.

Compumedics Somfit® innovation to bolster commercial activation plans.

Compumedics first generation led to the foundation of Compumedics with the first computerised PSG of its kind in the 1980s, whilst Compumedics ushered in a second generation of digital medical technology in 1990s and 2000s with two NASA Space Shuttle and Space Station contracts, along with the winning of the contract to equip the world's largest study of its kind, the USA NIH-funded 14,000, 16 multi-centre study (16 USA medical centres of sleep excellence) patient home-based Sleep Heart Health Study (SHHS). Today Compumedics Somfit® platform presents the first of its kind routine home, self-applied sleep monitoring system, enabling clinical-grade sleep monitoring in the home.

Compumedics is a world-leading sleep and neuro-diagnostic developer and supplier of medical systems and is based in Victoria, Australia, where we have generated over \$700 million of medical equipment export sales including over 30,000 systems installed, world-wide. Compumedics' clients include a large portion of the world's finest key opinion leaders, along with prestigious centres of hospital/clinical and research excellence including Albert Einstein Brain Centre, Mayo, Stanford, Oxford, Cambridge, Tokyo University, Beijing University, the Vatican and NASA.



Okti®
Wireless &
Modular EEG



Falcon™ HST
Home Sleep
Testing device



CORISS®
Cortical Stimulator

Growth Outlook in Core Neuro, Sleep Diagnostics and Digital ehealth/SaaS Business Sectors

Compumedics business growth drivers remain strong, including the growing demand for sleep and neurology equipment and services, driven by the high prevalence of associated health disorders. For example, with the ongoing elderly population growth and neurological diseases disproportionately affecting this population group, healthcare costs are expected to increase exponentially in coming years, as the elderly population doubles by 2050. In terms of Compumedics' core business underlying market demand, reports indicate that up to 10 percent of people will have a seizure at some time in their life, and 1 in 26 people will develop epilepsy. Additionally, there are 84 classified sleep disorders, with the most common including insomnia with a prevalence of about 30% and sleep disordered breathing with a prevalence of about 20%.

Compumedics major upcoming step-out business opportunities cover a number of large and new emergent market opportunities including our new Somfit® patented wearable monitoring systems, incorporating Compumedics world-class technology and analytics, Nexus™ 360 (SaaS), and the new Orion LifeSpan™ MEG brain functional imaging systems.

Compumedics Digital Health Traction with Web-based Sleep/Neurology Diagnostic Platforms

- A milestone achieved was the completion of over 306,000 clinic in the Cloud/SaaS sleep and neurology Nexus™ 360 studies to date, including 89,000 in FY23.
- A milestone achieved was the completion of over 10,000 Somfit® SaaS studies to date, including 6,000 in FY23.
- This represents an overall milestone achieved for the combined SaaS studies (Somfit® and Nexus™ 360) being over 316,000, including 95,000 in FY23.

Compumedics Product Developments

In the last year, we have launched a number of major products that are now in the hands of customers and patients.

The Okti® range of three models is now shipping.

The Somfit® and Somfit® Pro have commenced shipping.

The Falcon™ HST new generation HST platform integrated with the Nexus™ 360 enterprise software is now available and is scheduled to commence Australian shipments in the 4th calendar quarter of 2023.

CORISS® Cortical stimulator is progressing through regulatory preparatory phases.

Software Enhancements: Along with these products and services, a complete update to the software supporting the ecosystem of service and on-premise customers has been introduced including a comprehensive web-based sleep diagnostic reporting solution. These developments represent the largest range of new products in the Company's history.

Driving Product Rollouts: The coming year represents a continuation of the aggressive product rollout to consolidate the new products and enhance them with new features and capabilities, along with further developments to deliver additional products into the range of neurodiagnostics and sleep disorders.

Compumedics AI: We have introduced a range of new machine learning-based analysis algorithms and continue to enhance our offerings in the automated scoring and reporting of the large data sets that we have accumulated as part of our services.

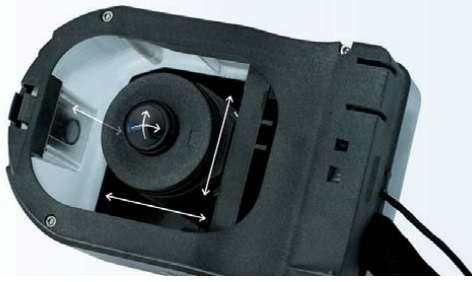
At-home Diagnostic Monitoring: With the rapid changes technology is bringing to the landscape, we are now ideally positioned to further drive expanded patient services with at-home diagnostic monitoring capabilities integrated into existent hospital capabilities.

Regulatory Capabilities: While the medical regulatory environment continues to pose challenges, our experience and expanded team in this area position Compumedics favourably, particularly with increased barriers to market entry, resulting from regulatory complexity and associated requirements.

Steps to rapid value-realisation and growing EBITDA over next 3 years

- *Strengthening our core business and geographical focus on products and services to drive global revenue generation, applicable to both our direct sales and marketing forces, along with Compumedics' network of over 50 distributors world-wide.*
- *Accelerate breakout Orion LifeSpan™ MEG system commercial activation.*
- *Global expansion of the highly scalable Somfit® SaaS business, following an ongoing successful Australian launch program.*

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DWL® Robotic TCD

Compumedics DWL® Business Overview

Doppler Ultrasound in a wide range of specialist branches:

DWL® Doppler systems are used in a wide range of specialist branches of medicine including neurology, neurosurgery, cardio- and vascular surgery, anesthesia, intensive treatment, internal medicine, angiology, and radiology to measure blood flow conditions in the vessels and evaluate hemodynamics. The specialist areas are increasing since TCD is the only way of measuring brain blood flow and is of valuable use to those researchers looking at the effects of treatment and drugs, including pharmaceutical companies for clinical trials. The trend is moving towards to more long-term monitoring of patients using TCD and there is a strong interest in combining TCD technology with neurophysiological diagnostic procedures such as EEG.

DWL® Doppler offers a digital output interface to Philips IntelliVue Monitors with EC10 interface. The digital DWL® ICM+ interface connects DWL® Doppler time-based merging of essential patient parameters with TCD values.

Compumedics DWL® true partner of the European Society of Neurosonology and Cerebral Hemodynamics (ESNCH) representing neurosonologists across 44 countries.

NeuroPOCUS and TCD: The NeuroPOCUS (point of care ultrasound) working group is a new joint project by the European Academy of Neurology Scientific Panel Neurosonology, the European Society of Neurosonology and Cerebral Hemodynamics, and the European Reference Centers in Neurosonology (EAN SPN/ESNCH/ERNSono) focused on new ultrasound examination approaches capable of providing more efficient ultrasound diagnosis covering specific clinical questions, versus reliance mainly on more complete or complex standard examination requirements. This focus on point of care ultrasound provides DWL® a unique insight relating to expanded point of care ultrasound DWL® TCD deployment.

DWL® TCD supplier for clinical trials Sickle Cell Disease

Compumedics DWL® is supporting the implementation of a further study for the treatment of sickle cell anemia, with a goal to develop and manufacture therapeutics to transform the lives of patients with rare hematologic diseases, including sickle cell anemia.

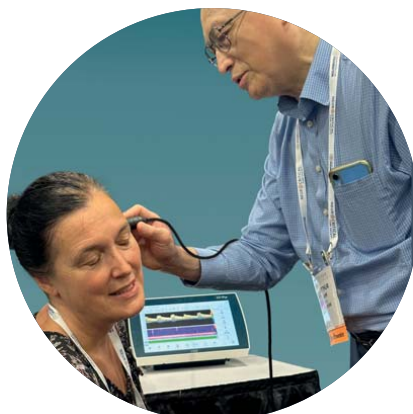
EZ-Dop Market Launch: The EZ-Dop is the smallest, most portable TCD system on the market, ideally suited for daily practice including neurology, ICU, neurosurgery and the operating theatre. Additionally, these highly versatile, mobile systems can be deployed to assist ambulance services, Brain Death Diagnostics and traumatic brain injury (TBI) diagnosis.

DWL® Robotic TCD Development: The development of a Robotic TCD device was advanced by a portable module that allows it to be used in a lying, sitting, or standing position. The lightweight robot unit is designed to be removed from the head-mount and attached to the head on either the right, left, or both sides.

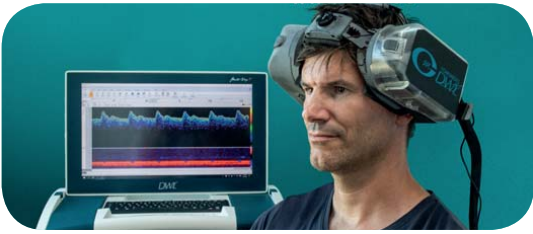
The advancement of a Robotic vessel detector using dedicated AI software expands DWL® TCD reach for a broader market, opening up diverse applications, particularly in the field of TBI diagnostics. Its lightweight, easy adaptation and complete portability make the robotic system ideal for various applications, including emergency rooms and intensive care units, sports fields, battlefields, and ambulances. This innovation holds great potential for clinical and research purposes.

The commercialization strategy for this innovative Transcranial Doppler (TCD) robotic device is to forge strategic major account partnerships, to facilitate the successful high-impact market activation of this ground-breaking medical technology.

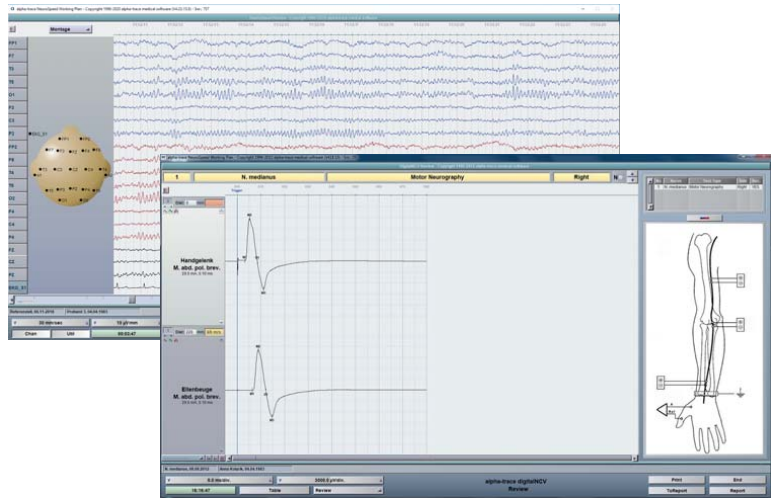
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Pictures: Wendy Ziai, Arthur Lam, Sérgio Brasil

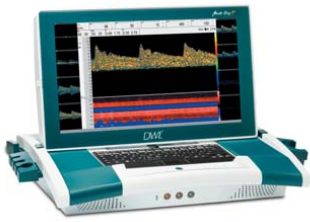


DWL® Robotic TCD



Compumedics alpha trace NeuroSpeed® EEG/EMG Software

One of the first to be certificated according EU-MDR: The European Medical Device Directive (MDD) was replaced by European Medical Device Regulation (MDR), which was intended as an improved version of the regulation. The MDR document is significantly longer and more rigorous than the original MDD. As first model of the DWL® product range, the DWL® Multi-Dop T has received certification according to the Regulation (EU) 2017/745 on medical devices (the Medical Device Regulation, MDR). Certification of Doppler-BoxX, EZ-Dop and Multi-Dop X according to the MDR will follow successively.



DWL® MultiDop T



Compumedics® alpha trace® Business Overview

Compumedics alpha trace has significantly strengthened Compumedics market presence in Austria and DACH regions. Alpha trace EEG products are market leaders in Austrian private practice and hospital's neurology departments. Conversely, Compumedics have expanded alpha trace global market outreach, coupled with expanded development capabilities across a range of new and exciting, next-generation neurophysiological nerve-conduction diagnostic monitoring systems.

NeuroSpeed® software: The NeuroSpeed-EEG software, developed by alpha trace is a valuable asset in the expansion of Compumedics/alpha trace portfolio product range. The alpha trace products are an essential option in markets with a considerable number of private neurological practices looking for easy to use, stable, and professional EEG solutions. These products are equipped with Compumedic's proven Grael® LT amplifiers and photic stimulators, and all backed by the highly respected alpha trace customer support. NeuroSpeed-EEG features an innovative user interface incorporating intuitive and graphic workflow benefits, for ultimate ease of use. Interfaces to HIS software are available in GDT and HL7 implementations.

With alpha trace Compumedics also acquired a complete software solution for the EMG markets. The NeuroSpeed-EMG software is in the pipeline for MDR certification and will be available from 2024. Alpha trace also adds EMG hardware to our Compumedics/ alpha trace product portfolio. This hardware will bridge the period until our own EMG hardware powered by NeuroSpeed-EMG will be available.

EEG/EMG solution for neurology private practices: The NeuroSpeed-EEG/EMG software is an ideal solution for private practice neurology users, offering a common intuitive user interface, a common database, along with proven performance. This will be the basis for expanding our market share in this important market segment in the DACH region.

Compumedics Neuroscan™ CURRY® 9 (CURRY®) Neuroimaging Software Suite

With decades of experience in developing research EEG devices, equipping over 2000 labs worldwide, and yielding over 30,000 publications, the Compumedics Neuroscan research team continues to set, drive and elevate the research EEG standards.

In 2023, the Neuroscan USA research team delivered neurophysiological research equipment to over 70 research institutes in North America, and we continued our role as one of the most influential EEG device providers in the world's most developed brain science communities. Neuroscan EEG was among the top choices for the most prestigious brain science organizations in the US.

In this fiscal year the Neuroscan team equipped the research labs at NIH, Stanford University, Mayo Foundation, and many other institutes. These installations included state-of-art brain research tools including CURRY® 9 neuroimaging suite, SynAmps RT HD-EEG and Maglink fMRI-EEG multi-modelling imaging solutions, together with other advanced products. As an example, Nickolaus Children's Hospital introduced Neuroscan's full EEG product lines to its newly opened HD EEG Center as the core scientific setup for its pediatric brain disorder research.

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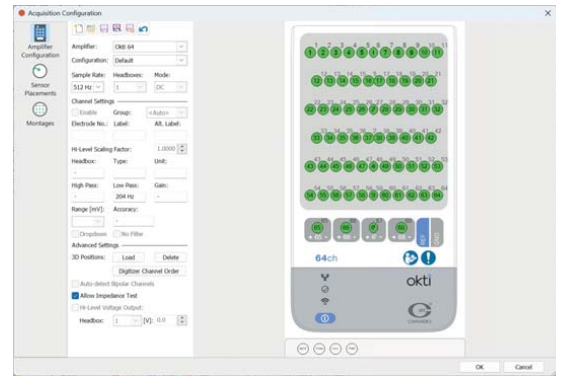
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Okti® home-based cognitive monitoring studies



Okti® sports research EEG studies



Global leading brain analytics with CURRY® 9 - Okti® support

CURRY® SaaS program: While focussing on continued and sustainable business growth, the Neuroscan USA team has made significant progress in achieving the milestones for developing the CURRY® SaaS program. Our Neuroscan team have now established a number of key opinion leader partnerships and launch preparations to advance progress towards new, upcoming CURRY® SaaS and subscription offerings.

The release of Okti™ Wireless EEG will enable our US team to bring in new business opportunities in sports EEG, brain-computer interface and home-based cognitive monitoring studies.

On the customer service side, the Neuroscan US team will continue to maintain a laser focus on improving the technical support quality, along with CURRY® and Neuroscan schools with KOL speakers.

Increased webinar and overall educational focus continues to build-up the Neuroscan research support team and quality systems, for providing the top-line support service to our customers.

The Neuroscan USA research business team will continue to partner with world-class scientists and clinicians to create impacts on human neuroscience research while making a major contribution to the overall USA business growth in the year 2024.

CURRY® 9: The CURRY® brain analytics team released two update releases to CURRY® 9, adding features that improve usability and extend functionality.

Highlights include the ability to perform phase-independent averaging in the frequency domain, support for multi-frame JPEG and RLE DICOM images, additional options for sharing databases between CURRY® clients, more robust automatic cortex segmentation, and hardware support for Okti® amplifiers and NDI Vega digitizers.

In-person CURRY® Schools are back: In addition to the continued availability of virtual CURRY® Schools, focused on either research or clinical applications, the first in-person CURRY® Schools since the COVID19 pandemic were held again in Hong Kong and Seoul (Republic of Korea). The future training schedule will continue to include both virtual and in-person schools.

CURRY® 10: The next major CURRY® brain analytics release preparation for CURRY® 10 is now underway with a range of expanded features and

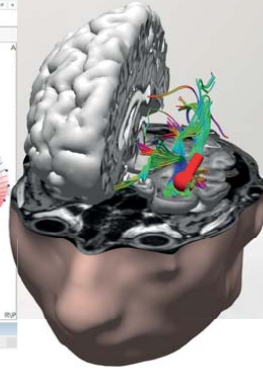
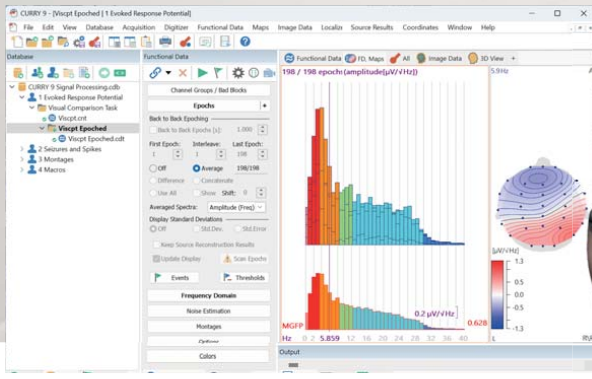
capabilities, covering a wide range of enhancements and capabilities across data base management, data acquisition capabilities, epileptic spike analysis, stereo-EEG capabilities, image data overlay functionality, further Orion LifeSpan™ MEG integrated functionality, further source localisation modelling capabilities, as well as a range of cutting-edge user interface tools to assist more main-stream clinical usage of CURRY® moving forward.

Orion LifeSpan™ MEG Brain Functional Imaging Systems Progress

The company has strengthened its technological position with respect to MEG by hiring additional engineering expertise and further developing the Orion LifeSpan™ platform. This has led to considerable breakthroughs in the system performance, which in turn has also contributed towards the important China TJNU MEG contract shipment milestone. Installation of this system, commissioning, and training of the new customers is expected to be completed before the end of the 2023 calendar year.

Orion LifeSpan™ MEG Brain Functional Imaging System's Progress and Highlights

Development of the Orion LifeSpan™ MEG system continued across the scanner and CURRY® MEG analytics. Importantly, as it relates to expanding the Orion LifeSpan™ MEG system's unique selling proposition, the ability to measure two subjects simultaneously was established, using the novel dual-helmet Orion LifeSpan™ MEG system hyper-scanning capability. This function enables, for example, a parent-child interaction, along with investigational analysis relating to the affects of mental development. Orion LifeSpan™ MEG system supports improved brain coverage by way of providing separate child and adult MEG helmet sensor arrays, thereby eliminating "blind spots", evident amongst earlier generation MEG systems. Thus, improved sensor configurations have been enabled, to enhance the Orion LifeSpan™ MEG's efficiency and sensitivity. These developments culminated in the completion of the latest Orion LifeSpan™ MEG system, which has now been shipped to the prestigious Tianjin Normal University in China.



Global leading brain analytics with Compumedics Neuroscan CURRY®

State-of-the-art Orion LifeSpan™ MEG

The Orion LifeSpan™ MEG system incorporates a number of unique capabilities including:

1. Dual-helmet dewar with the ability to rotate between adult and pediatric configurations, so that no additional space is required for the installation over a traditional MEG;
2. Hyperscanning to correlate brain signals between subjects with millisecond accuracy;
3. Advanced Double Relaxation Oscillation SQUID (DROS) sensors, with significantly higher signal-to-noise ratio than traditional MEG sensors;
4. Integrated, zero-loss, closed-loop, continuous helium recycler enabling 24/7 MEG system uptime and reducing system operating costs by as much as \$100,000 annually;
5. Integrated MEG-video to correlate brain function and subject actions with high-definition accuracy; and
6. Full integration of the CURRY® Neuroimaging platform, universally known as the gold standard for MEG/EEG data acquisition and processing. This complete end-to-end CURRY® MEG functionality is only available for Orion LifeSpan™ MEG system users and incorporates seamless integration. This enables improved precision and minimises the reliance, risks and added complexities associated with interfacing multiple vendor solutions.

Key FY 2023 highlights include:

- Strengthened business growth in Compumedics core business.
- Somfit® Australian market commercial activation paved for global expansion of this highly scalable SaaS model.
- Acquisition and integration of leading European neuro and EMG diagnostic Company; Europe-based alpha trace, thereby strengthening Compumedics European market presence.
- A milestone achieved was the completion of over 306,000 clinic in the Cloud/SaaS sleep and neurology Nexus™ 360 studies to date, including 89,000 in FY23.
- A milestone achieved was the completion of over 10,000 Somfit® SaaS studies to date, including 6,000 in FY23.
- This represents an overall milestone achieved for the combined SaaS studies (Somfit® and Nexus™ 360) being over 316,000, including 95,000 in FY23.
- Shipping is now underway with Orion LifeSpan™ MEG system to China's prestigious Tianjin Normal University (TJNU).

We are pleased to continue guidance with Compumedics forecast of FY23 revenues, excluding MEG, to be in excess of \$44m and EBITDA to be in excess of \$5m.

As a quick wrap-up, FY23 was certainly a productive year with solid financial performance, coupled with substantial investment and progress across both our core and breakout businesses, paving the way for an exciting FY24 ahead.

We thank you for your continued support and we look forward to sharing with you further announcements over the year ahead.

Yours sincerely,

Dr. David Burton, Ph.D.
Executive Chairman and Chief Executive Officer
Compumedics Limited

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SUMMARY AND FINANCIAL OUTLOOK

The 2023FY was a year of solid progress and performance with a number of highlights, positioning Compumedics for ongoing profitable core business growth, coupled with substantial Somfit® and LifeSpan™ MEG breakout business commercial traction.

In terms of financial performance, sales increased 12% to \$42.4m. Importantly EBITDA returned to profit in H2FY23 at \$2.7m, partially offsetting the first half EBITDA loss of \$4.7m. This EBITDA loss resulted from the write-down of assets associated with the MEG business, in order to recognise the complexity of this new technology, with a conservative balance sheet approach.

CORE PRODUCTS

Core Products

Sleep Diagnostics



Compumedics GraeL® - 4K HD and PSG



Compumedics Siesta®



Compumedics Falcon™ HST



Compumedics Somfit®

Compumedics Somfit® pro



Multi-Dop® T digital



Compumedics Somte® PSG



Compumedics Profusion™ Sleep Software



Compumedics Profusion ProDigi™ Software



Compumedics Profusion™ NeXus Software



Doppler-Box™ X

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Neuro Diagnostics (including Brain Research)



Compumedics GraeL EEG® Neuroimaging Suite - 4K HD



Compumedics Okti® Portable LTM - EEG



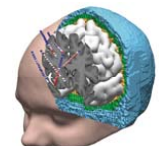
Compumedics GraeL LT® - HD EEG



Compumedics CORRIS® Cortical Stimulator



Compumedics Profusion™ EEG Software



Compumedics CURRY® Neuroimaging Suite



Compumedics Neuv0® LTM EEG



ONsight™ A.V.S. Ambulatory EEG Video Solution



Compumedics Orion LifeSpan™ MEG



Quik-Cap® EEG Electrode Arrays

STRATEGIC GROWTH PLATFORMS

The Company is focused on a number of substantial opportunities based on next-generation growth platforms applicable to DWL, Neuroscan brain imaging, and medical innovation projects such as eHealth and sleep treatment.

The NeXus™ 360 opportunity is highlighted here.

Compumedics' cloud based sleep diagnostic platform includes a professional application, NeXus™ 360, and a consumer application, Somfit.® NeXus™ 360 has grown to over 50 sites in the USA and Australia.

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profusion nexUS™ 360 Laboratory Management System

A Revolution in Laboratory Management

Introducing Compumedics Profusion nexUS 360, the next generation of Profusion nexUS. Built on the proven Profusion nexUS platform with more than 15 years of customer use and thousands of users, Profusion nexUS 360 offers the full functionality of Profusion nexUS and more, in a fully web-based interface.

Platform and Browser Independent

Profusion NeXus 360 Features:

- Simple, browser/internet-based access via HTML5
- Two-factor Authentication Access
- Digitally secure study "sign-off"
- User-defined, group-based access privileges
- Template/Document Integration
- Non-editable audit-log
- Multi-language Support (English, French, Chinese, Spanish)
- Fully managed Cloud Service, simple installation, reliable system backups and easy system updating
- In-lab acquisition and real-time uploading to the web.



*Optimised for touch displays

STRATEGIC GROWTH PLATFORMS

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Somfit®

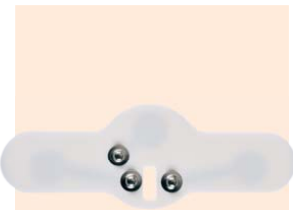


Somfit® PRO

Somfit® and Somfit® pro are the next generation wearable devices for collecting patient's physiological data, primarily for use in assisting medical professionals to diagnose sleep disorders.


Somfit® and Somfit® Pro Systems

Somfit® - 4 Components, **Somfit® Pro** - 5 Components



A single-use adhesive-gel electrode.
This is worn on the patient's forehead and collects the physiological data.

Consumable Revenue



The Somfit® device, which is pressed onto the electrode. The Somfit houses the sensors and transmits the data to the App via Bluetooth. Somfit can collect up to 12 hours of data.

The Respifit® device, which is located on the Thoracic belt houses the ECG, Airflow, chest movement and position body sensors and transmits the data to the App via Bluetooth.

Capital cost or build into SaaS fees



The Somfit® App
This is used to control the Somfit and to transmit the study data to be processed.

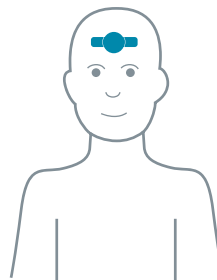
The Profusion Nexus360™
cloud-based data management and reporting system.

Recurring SaaS fee to access

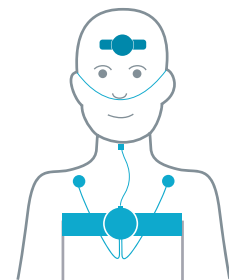
Small, simple to use and comfortable.

Ease of use and comfort were the main considerations in the design of the Somfit and Somfit pro.

- The Somfit system comprises of the Somfit device, a disposable adhesive electrode and a phone app.
- The Somfit pro system includes the Respifit device adding extra measures such as ECG, airflow and body position.



Somfit® device



Somfit® Pro device

Somfit® and Somfit® Pro Commercial Activation

Somfit® Strategic Objective: The strategic objective for Somfit® is the use of its platform technology in a consumer environment providing actionable sleep health information and/or other interventions to improve patient health outcomes.

Somfit® Superior Value Proposition: Somfit® provides a more comfortable, convenient, and cost-effective way for people with sleep problems to assess and monitor their sleep-health.

Somfit® Key Market Opportunities Include:

5.0m

People suffering from sleep disorders in Australia, which includes sleep apnoea, insomnia, restless leg syndrome (RLS)



AUD35.4b

Total cost of sleep disorders in Australia (2021)
AUD13.1b sleep apnoea,
AUD13.3b insomnia,
AUD 9.0b RLS

60m

People suffering from some form of sleep disorders in the USA



USD94b

Direct healthcare costs (2021)

Somfit® Unique Selling Proposition:

- **Highly scalable:** quality health SaaS business model
- **Clinical grade at home device:** Light and comfortable for the patient while enabling collection of high-quality signals to provide medical-grade (reimbursable) data
- **Greater convenience:** At-home monitoring eliminates the need for patients to travel to a hospital or sleep clinic, which can be time-consuming and inconvenient
- **Reduced cost:** At-home monitoring is less expensive than hospital monitoring, as it eliminates the need for hospital.



STRATEGIC GROWTH PLATFORMS

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THE ORION LIFESPAN™ MEG FURTHER INNOVATION FROM COMPUMEDICS

What is MEG and what is it used for?

Advanced Magnetoencephalography (MEG) technology uses superconducting sensors to record the tiny magnetic fields created by the human brain. It is completely safe, non-invasive and silent. It can be used even on children with no side effects. The Orion LifeSpan™ capitalises on this by including a dedicated pediatric helmet, optimized for five-year-olds.

The primary clinical application of MEG is to detect activity from locations where epileptic seizures begin. This can help to accurately guide a resection surgery, resulting in a reduction or complete elimination of those seizures. MEG can also be used to precisely mark the location of sensory, language and motor functions. Knowledge of these locations is critical to the successful resection of a tumour or other lesion without subsequent mental impairment. Furthermore, researchers worldwide use MEG to study normal and developing brain function. They are developing exciting new diagnostic capabilities for many debilitating disorders.

Another emerging research application for MEG is hyperscanning. That is, the measurement of the brain signals from two subjects simultaneously while they interact with each other or are presented the same stimulation synchronously. The Orion LifeSpan™ is uniquely capable of MEG hyperscanning due to the dual helmet design. This is a key research topic for TJNU, very soon to be the location of Compumedics' MEG installation.

Key Features and Advantages

- 186 high-sensitivity sensors in a helmet-shaped array optimized for the average adult head size.
- 138 high-sensitivity sensors in a second helmet optimized for the average five-year-old.
- The system can rotate between adult and pediatric configurations, so no additional space is required for the installation over a traditional MEG.
- Alternatively, both helmets can be recorded for hyperscanning.
- Each sensor is equipped with an advanced Double Relaxation Oscillation SQUID (DROS) with significantly higher signal-to-noise ratio than traditional MEG sensors.
- Additional "reference" sensors monitor and subtract environmental magnetic interference, for example from moving metal objects and electrical lines.
- Up to 128 channels of integrated EEG utilizing SynAmps RT amplifiers.
- Fully integrated simulators for auditory, visual, electrical and motor response. All are controlled/monitored by the powerful STIM2 software.
- All acquisition and analysis functions are within the powerful CURRY Neuroimaging Suite.

Orion LifeSpan™

Patented Dual-Helmet
Adult/Pediatric Dewar

Patented SQUID
Sensing System

Fully Integrated EEG

Patented Zero-Loss
Helium Recycling

Full CURRY Integration



Fully Integrated CURRY Software



- Integrated, zero-loss, closed-loop, continuous helium recycler. Liquid helium is used to cool the superconducting sensors. The recycler reduces system operating costs by as much as \$100,000 annually and eliminates weekly labour to refill helium. Continuous operation allows MEG system uptime 24/7.
- Sampling Frequency of up to 10,000 measurements per second, to record even the most fleeting of brain signals.
- Full video recording integration for simultaneous study of symptoms and brain activity.
- Compumedics works with world-class suppliers of shielding to provide a magnetically quiet recording environment.

Full CURRY® Integration

The CURRY® Neuroimaging platform is universally known as the gold standard for MEG/EEG data processing. One of the key benefits of CURRY® is its ability to integrate the high-temporal resolution functional measures of MEG and EEG with anatomical/structural/metabolic neuroimaging data such as MRI, CT, DTI, PET, SPECT and fMRI. CURRY® is the de-facto software platform for clinical MEG community, particularly those assessing epilepsy. It has US FDA certification, CE Mark and other regulatory approvals for immediate clinical use at hospitals, but is also well regarded by the neuroscience research community.

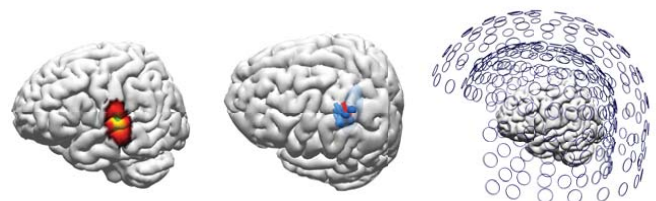
CURRY® is fully imbedded in the Orion LifeSpan™ hardware platform, including MEG/EEG acquisition, visualisation, review, analysis, source modelling and multi-modal integration.

FY23 Highlights

- Strengthened the company's technological position by hiring additional engineering expertise.
- Further developed the Orion LifeSpan™ platform leading to numerous breakthroughs in system performance
- Completion of the Orion LifeSpan system destined for TJNU in China. Installation of this system, commissioning and training of the new customers is expected to be complete before the end of the calendar year.

FY24 Plan

- Complete clinical validation for epilepsy.
- Install hyperscanning enabled system at TJNU.
- Secure third and fourth MEG order.
- Achieve CE Mark for entry into the European market.
- Begin process of Chinese FDA approval to allow for clinical sales in China.
- Continued development of CURRY® to provide enhanced environmental noise cancellation and other MEG-applicable features.



BOARD OF DIRECTORS

Compumedics is committed to developing a world class working environment that rewards individuals for the contributions they, and their teams, make to the business each year. Compumedics is proud of the diversity of its people, and continues to develop its people infrastructure under the guidance of the Senior Management Team and the Board.

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Dr. David Burton, Ph.D.

Executive Chairman, CEO

Dr. David Burton, Ph.D., is the founder, Chairman and CEO of Compumedics. After establishment of Compumedics the company was listed on the ASX in 2000, and has been awarded 24 awards for design, innovation, business and exports including the Australian Exporter of the Year in 1998 and Small Business of the Year in 1999.

Dr. Burton started his career at the Bureau of Meteorology, where he studied radar techniques and electronic equipment. He founded Linear Transfer Pty Ltd, which designed, manufactured and marketed high fidelity recording and sound equipment. He was awarded an Associate Diploma in Engineering (Electronics) by the Royal Melbourne Institute of Technology and a Ph.D. (Eng. Sc.) by Monash University, Melbourne (Australia). Dr. Burton's engineering background includes the design and project management of Compumedics' first sleep laboratory and portable sleep systems. Dr. Burton has authored 150 patents or patent applications across more than 20 families of patents that form part of Compumedics' intellectual property. Dr. Burton has served

as an advisor for the Victorian Government as a member of the Council for Knowledge, Innovation, Science and Engineering (KISE), being the Victorian Government's key advisory body on issues and policies focusing on science and innovation.

Dr. Burton was presented the Clunies Ross National Science and Technology Award in 2002 for his development of innovative sleep monitoring technology. He was awarded the 2003 Centenary Medal by the Prime Minister and Governor General of Australia for outstanding contribution to science and technology, particularly public science policy. In 2003 Dr. Burton was awarded the Ernst & Young Victorian Entrepreneur of the year award for technology, communications, E-commerce and life sciences. In 2007 Dr. Burton was inducted into the Victorian Manufacturing Hall of Fame in recognition of manufacturing achievements and world-wide medical device exports.

Dr. Burton served as a Victorian Government adviser as a Board member of the Design Victoria (2008-2011), was appointed to the Academy of Technological Science and Engineering (ATSE) committee in 2012 and in recognition of his outstanding contribution to the profession of Biomedical Engineering and was awarded the 2012 David Dewhurst Award by Engineers Australia, College of Biomedical Engineers.



Mr. David Lawson

Executive Director

Mr Lawson has been Chief Financial Officer and the Company Secretary of the Company for over twenty two years. In that time, Mr Lawson has been extensively involved in the development of the Company including the Initial Public Offering of shares in the Company, the subsequent offshore acquisitions in the US and Germany, private equity placements and the recent refinancing of the Company. Mr Lawson also has been involved in the operational turn around of the Company and brings a significant amount of experience and knowledge to the Board.



Mr. Rod North

Non-Executive Director

Mr Rod North has been working in the financial services & corporate sector for 30 years, having held leading roles in share broking, investment and funds management and provided investor relations, media & PR services to a large range of ASX listed companies over the past 17 years. He has extensive experience in company analysis and financial management. He has served on a number of investment committees in funds management. He has also acted in high-level corporate advisory roles to private and public companies at senior executive and board level, advising on capital raisings, communication and investor relations strategies.

SENIOR MANAGEMENT

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Dr. David Burton, Ph.D.
Executive Chairman, CEO



David Lawson
Executive Director,
Chief Financial Officer
& Company Secretary



Dr. Dieter Grossegger, Ph.D.
Compumedics alpha trace



Warwick Freeman
Chief Technology Officer



Christoph Witte
General Managing Director
DWL Compumedics Germany GmbH

INNOVATION. VALUE. VERSATILITY.

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Financial Statements

2023

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Annual Financial Statements
for the year ended 30 June 2023

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Corporate Information

This annual report covers Compumedics Limited as a consolidated entity comprising Compumedics Limited and its subsidiaries. The Group's functional and presentation currency is AUD (\$).

A description of the Group's operations and its principal activities is included in the review of operations and activities in the directors' report on pages 2 to 14. The directors' report is not part of the financial report.

Directors	Dr. David Burton Mr. David Lawson Mr. Paul Jenz (commenced 1 st January 2022 and retired 31 March 2023) Mr. Rod North (commenced 27 th October 2022)
Company secretary	Mr. David Lawson
Executive team	Executive Chairman, CEO David Burton Executive Director and CFO David Lawson Chief Technology Officer Warwick Freeman General Managing Director DWL Compumedics Germany GmbH Christoph Witte
Notice of annual general meeting	The Annual General Meeting of Compumedics Limited will be held at Compumedics Limited 30-40 Flockhart Street Abbotsford VIC 3067 time 10.30am date Tuesday 31 October 2023
Principal registered office in Australia	30-40 Flockhart Street Abbotsford VIC 3067 Telephone: (03) 8420 7300
Share register	Automic Pty Ltd Level 12 575 Bourke Street Melbourne VIC 3000 Phone: Local: 1300 288 664 Phone: International: +61 2 9698 5414
Auditor	Nexia Melbourne Audit Pty Ltd Level 35 600 Bourke Street Melbourne VIC 3000
Stock exchange listings	Compumedics Limited shares are listed on the Australian Stock Exchange. Compumedics' ASX code is CMP.
Website address	www.compumedics.com.au

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Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Compumedics Limited and the entities it controlled at the end of, or during, the year ended 30 June 2023.

The following persons were directors of Compumedics Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

Dr. David Burton
 Mr. David Lawson
 Mr. Paul Jenz (Commenced 1st January 2022 and retired 31st March 2022)
 Mr. Rod North (Commenced 27th October 2022)

Principal activities

During the year the principal continuing activities of the Group were the research, development, manufacture and distribution of medical equipment and associated technologies. There have been no significant changes in the operation of the Group during the year.

Dividends

The directors have not declared a dividend in the current financial year (2022: nil).

Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects and a summary of consolidated revenue and results by operating segments are set out below:

	Total Revenue		Segment Results	
	2023 \$000	2022 \$000	2023 \$000	2022 \$000
USA	12,046	11,457	(4,438)	277
Australia and Asia Pacific	19,565	14,198	275	867
Europe	10,797	12,101	2,197	2,143
Total continuing operations	42,408	37,756	(1,966)	3,287
Depreciation and amortisation			(1,013)	(1,188)
Impairment of intangible assets			(3,088)	-
Finance costs			(652)	(401)
Profit/(loss) before income tax expense			(6,719)	1,698
Income tax (expense)/benefit			597	(341)
Profit/(loss) for the year			(6,122)	1,357

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

During the 2023 financial year the Company restored growth in its core business of sleep diagnostics and monitoring, neurological monitoring, brain research and trans cranial Doppler. The Company was able to continue to grow its core business in key markets around the world, whilst it continued to invest significantly in development and commercialisation activities related to its two step-out growth opportunities being MEG and Somfit.

FINANCE

During the 2023 financial year the Company maintained its existing facilities with its bank in Australia. The company has a loan of \$4.1m repayable over 9 remaining years and it is at current interest rates. This loan is in addition to the existing working capital facilities the Company already has. The Company's existing \$2.0m overdraft facility remains in place, on an ongoing basis in Australia, where the Company also has an existing principal and interest loan in relation to the MEG business, with a balance on 30 June 2023 of \$0.8m. The Company did also take out a \$0.45m loan related to its offices in Melbourne. This is repayable over three years. There were no other financing activities during the 2023 financial year.

OPERATIONS

Compumedics research and development (R&D) investment was higher than the prior year at approximately 13% of sales for the 2023 financial year, compared to 11% for the 2022 financial year, which remains about twice the industry standard. This reflects the increased activities related to the Somfit and MEG step-out growth opportunities. Consequently, the Group has retained its technological leadership, with a strong pipeline of new and exciting upcoming product releases and upgrades.

To ensure the Group operates as efficiently as possible a number of existing projects have concluded and new projects commenced during the financial year. These include the commissioning of a new surface mount line in Melbourne that will manufacture circuit boards for our new generation medical devices.

While these structural transformations have demanded on-going investment in the short term, in terms of personnel, engineering and components, they have and will continue to result in substantial savings and elevated shareholder returns in the medium term through on-going improved margins.

STRENGTHENED SALES AND MARKETING

The Group achieved the following geographical outcomes.

(a) Americas

Total US revenues were \$12.0m for the year ended 30 June 2023 compared to \$11.5m for the prior year. The increased sales revenue in the US reflects primarily an improvement in sleep diagnostic and Neuroscan sales compared to the prior year, offset by a decline in neuro-diagnostic sales. Service revenues in the US also increased. With that said, the Company expects significantly more growth from this key market and the Company continues to strengthen the structure of the sales and marketing management and team members to drive growth in the foreseeable future.

(b) Asia Pacific

Australian and Asia Pacific revenues for the year ended 30 June 2023 were \$19.6m compared to \$14.2m for the prior year. The strong improvement in sales reflects a turnaround in the Australian sleep business, which includes the initial Somfit sales, a strong performance by our neurological monitoring and also the return of Asia and in particular China and Japan, post the pandemic.

(c) Europe

European revenues for the year ended 30 June 2023 were \$10.8m compared to the prior year of \$12.1m reflecting a pullback of orders primarily in France but also in DWL where some shipments to China were deferred. We expect these sales to be booked in the first half of the 2024 financial year.

The Group, with a focus on working around the ongoing global supply chain issues that were impacted by the pandemic and then the war in Ukraine will continue to look for ways to make gains in neuro diagnostic markets around the world, particularly where we sell directly, such as, the US, Australia, Germany and France.

In the Group's core sleep diagnostic business, Compumedics has the most sophisticated and advanced range of sleep-monitoring systems of any of the companies competing in these markets. The Group continues to be recognised as a leading sleep diagnostic Company worldwide and as such global sleep diagnostic markets continue to offer opportunities for growth, particularly with the launch of the Somfit device here in Australia and then to other key markets around the world as regulatory clearance/ approvals are gained.

The Group is continuing to develop its eHealth, Cloud and WEB enabled, sleep diagnostic and neuro diagnostic and monitoring solutions for its key markets around the world, which include Somfit and the Nexus 360 platform. The Company secured its first orders of Somfit in Australia in the 2023 financial year at \$1.2m with \$0.6m shipping in the 2023 financial year. Along with this, global revenues for Nexus 360 grew to \$1.7m in the 2023 financial year up from \$1.3m in the prior financial year.

The Group also resolved many of the technical issues related to the MEG technology, such that it has now shipped the MEG system to TJNU in China.

BREAKOUT MEDICAL INNOVATIONS

Compumedics Medical Innovation (CMI) division has continued to develop several breakout technology platforms. Each of these CMI platforms incorporates a folio of patents, compliments Compumedics' core business, presents unique and significant product differentiation, and has been independently validated, as outlined in the subsequent sections.

SUMMARY

The Group is clearly focused on the following key goals being:

- 1 The geographical expansion of the core sleep diagnostic and neuro diagnostic monitoring businesses into global territories, where the Group has little or no market share.
- 2 Completing the installation of the MEG system at TJNU in China
- 3 Substantially grow the Nexus 360 cloud-based sleep diagnostic business from the current \$1.7m revenues achieved in the 2023 financial year.
- 4 Continue the productivity enhancement programs to eliminate and reconfigure expensive and inefficient processes with all parts of the business.
- 5 Continue the commercialisation of the Group's consumer sleep technology, Somfit, following its launch in Australia to other key markets around the world.

This is a great Company, and we remain confident the operational initiatives currently being undertaken will continue to improve profitability in the short term, allowing our very positive prospects for the medium and long-term to be realised. The demand for innovative healthcare solutions continues to be underpinned by an ever-increasing ageing population, coupled with the growing incidence and awareness of neurology and sleep disorders.

Likely Developments and Expected Results

The focus for the Group will be on underpinning the resumption of growth now underway across the Group and maximising future growth opportunities. The Group will also continue development of its MEG business and commercialisation of its Somfit product with interested local and international partners.

Compumedics expects the identified Key Growth Opportunities to deliver an increase in revenues and earnings in FY24 and provides guidance of forecast FY24 revenues, excluding MEG, to be in excess of \$44m and for EBITDA to be in excess of \$5m.

Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the Group during the financial year.

Matters Subsequent to the End of the Financial Year

The Directors are not aware of any matters subsequent to the end of the financial year that would have a material impact on the financial performance of the Group.

Environmental Regulation

The Group is not subject to significant environmental regulation in respect of its activities.

Information on directors

Dr. David Burton, Chairman and Chief Executive Officer

Experience and expertise

Founder and major shareholder through related entity. He was awarded an Associate Diploma in Engineering (Electronics) by the Royal Melbourne Institute of Technology and a Ph.D. (Eng. Sc.) by Monash University, Melbourne (Australia). Dr. Burton's engineering background includes the design and project management of the Compumedics' first sleep laboratory and portable sleep systems. Dr. Burton has authored fifteen patents or patent applications that form part of Compumedics' key intellectual property. Extensive experience in the development, design, manufacture and sale of medical devices and the development of the business.

Other current directorships

D & DJ Burton Holdings Pty Ltd
Intellirad Pty Ltd
Electro Molecular Pty Ltd

Former directorships in last 3 years

None

Special responsibilities

Chairman of the Board
Member of Remuneration Committee
Member of Audit Committee

Interests in shares and options through related entities

98,044,319 ordinary shares in Compumedics Limited
Nil options over ordinary shares in Compumedics Limited

Mr David Lawson, Executive Director and Chief Financial Officer

Experience and expertise

Has a Bachelor of Commerce from Melbourne University and is a Member of Chartered Accountants Australia and New Zealand. He has extensive experience in the development of the Compumedics business over the last 22 years and prior to that held a number of management positions with another listed public entity.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

Member of the Remuneration Committee
Member of the Audit Committee

Interests in shares and options

3,470,724 ordinary shares in Compumedics Limited

Mr Rod North, Non-Executive Director

Experience and expertise

Rod North has been working in the financial services & corporate sector for 30 years, having held leading roles in share broking, investment and funds management and provided investor relations, media & PR services to a large range of ASX listed companies over the past 17 years. He has extensive experience in company analysis and financial management. He has served on several investment committees in funds management. He has also acted in high-level corporate advisory roles to private and public companies at senior executive and board level, advising on capital raisings, communication, and investor relations strategies.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

Member of the Audit Committee
Member of the Remuneration Committee

Interests in shares and options

2,000 ordinary shares in Compumedics Limited

Company secretary

The Company secretary is Mr. D. F. Lawson, Chartered Accountant. Mr. Lawson was appointed to the position of Company Secretary in 2000. Mr. Lawson has a Bachelor of Commerce from Melbourne University and is a Member of Chartered Accountants Australia and New Zealand.

Meetings of directors

The numbers of meetings of the Company's Board of directors and of each Board committee held during the year ended 30 June 2023 and the numbers of meetings attended by each director were:

	Meetings of committees					
	Full meetings of directors		Audit		Remuneration	
	A	B	A	B	A	B
Dr. David Burton	11	11	2	2	1	1
Mr. David Lawson	11	11	2	2	1	1
Mr. Rod North (Commenced 27 th October 2022)	8	8	1	1	1	1
Mr. Paul Jensz (Retired 31 st March 2023)	8	8	1	1	-	-

A – Number of meetings attended

B – Number of meetings held during the time the director held office or was a member of the committee during the year

Remuneration report (audited)

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

A Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and conforms to market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation. The Board is satisfied remuneration recommendations are made free from undue influence by the members of the key management personnel.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price
- delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience

- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The Board has established a remuneration committee, which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on the role of this committee.

Non-executive directors

Fees and payments to non-executive directors reflect the demands, which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Non-executive directors do not receive share options.

Directors' fees

The current base remuneration was last reviewed with effect from 1 July 2007. The Chairman's remuneration is inclusive of committee fees while other non-executive directors who chair a committee receive additional yearly fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$250,000 total pool per annum.

The following fees have been applied:

	From 1 July 2022 to 30 June 2023 \$	From 1 July 2021 to 30 June 2022 \$
Base fees		
Chairman	50,000	50,000
Other non-executive directors	30,000	30,000
Additional Fees		
Audit committee – chairman	5,000	5,000
Audit committee – member	2,500	2,500
Remuneration committee – chairman	5,000	5,000
Remuneration committee – member	2,500	2,500

Executive pay

The executive pay and reward framework has 5 components:

- Base pay and benefits
- Short-term performance incentives
- Long-term incentives through participation in the Compumedics Limited Employee Option Plan
- Other remuneration such as superannuation, and
- Long-term equity linked incentive program specifically for the head of the Medical Innovations Division.

The combination of these comprises the executive's total remuneration.

Base pay

Structured as a total employment cost package, which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

Benefits

Executives may receive benefits including health insurance, car allowances, other expense reimbursements and tax advisory services.

Superannuation

Retirement benefits are currently limited to the statutory rate of superannuation but are not capped based on salary. Executives may elect to make further salary sacrifice additions to superannuation funds of their choice, up to the allowable limits prescribed.

Short-term incentives

Should the Group achieve a pre-determined profit target set by the remuneration committee a pool of short-term incentive (STI) is available to executives during the annual review. Using a profit target ensures variable award is only available when value has been created for shareholders and when profit is consistent with the business plan. The incentive pool is leveraged for performance above the threshold to provide an incentive for executive out-performance.

Each executive has a target STI opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance. The maximum target bonus opportunity can be up to 60% of base pay, as determined by the remuneration committee each year.

Each year, the remuneration committee considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the year ended 30 June 2023, the KPIs linked to short-term incentive plans were based on Group, individual business and personal objectives. KPIs are set according to the individual responsibilities of each member of the executive team.

Each year the remuneration committee considers the appropriate targets and key performance indicators (KPI's) to link the Short-Term Incentive (STI) plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan and minimum levels of performance to trigger payment of STI.

The short-term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the remuneration committee.

The STI target payment is assessed by the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) following the end of each financial year and any payments due are recommended to the remuneration committee for authorisation. The CEO and CFO recommend STI targets for the following year for key executives, which are put to the remuneration committee for review and authorisation annually.

Long-term incentives

The Group has instigated a long-term incentive program for one executive. At 30 June 2023 no other long-term incentive plans were in place for any other Director or key management personnel. Any instigation of a long-term incentive program for any other executive of the Group will be determined by and authorised by the remuneration committee and the remuneration committee will assess subsequent performance.

Medical Innovation Long Term Performance Plan (MI-LTPP)

The Group has formalised and gained approval at the 2009 and 2014 annual general meetings for the MI-LTPP for the head of the Medical Innovations Division ("Division Head"), who is currently the Executive Chairman. The rationale of the MI-LTPP is to reward the Division Head where future commercial projects are met on the following criteria:

1. The future commercial project is based on innovative, novel and patentable technology;
2. The patented technology is supplementary to, but consistent with, the ongoing businesses of Compumedics Limited; and
3. There is significant risk attached to the development of the intellectual property or technology and the commercialisation thereof.

On the basis that these 3 criteria exist, and, determined by the Remuneration Committee, a commercial project will be eligible for inclusion under the MI-LTPP. At 30 June 2023 the Remuneration Committee has approved several projects that are eligible under the MI-LTPP subject to the parameters discussed below.

The parameters of the MI-LTPP include that the Division Head will be entitled to an incremental 8% equity in any subsidiary entities of the Group that develop projects that meet all of criteria 1 to 3. The 8% equity will only deliver value to the Divisional Head where value is created for the whole Group, in which case the Group receives 92% of the incremental value created.

The entitlement will be calculated after repayment of any initial costs of establishment or development costs outlaid by Compumedics. The Directors have sought and gained expert advice that the entitlements under the plan form part of remuneration for the purposes of accounting standards and are fair and reasonable, having regard to relevant circumstances.

The Board recommended to shareholders and the shareholders approved, at the 2014 AGM, the 8% equity be issued to the Division Head. As a result, 8% of the issued capital of Compumedics Medical Innovation Pty Ltd was issued to David Burton, late October 2014.

Compumedics Employee Option Plan

Information on the Compumedics Option Plan is set out in section D and note 29 to the Financial Statements. There are no share-based payments for the year ended 30th June 2023.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Compumedics Group are set out in the following tables.

The key management personnel of the Group are the directors of Compumedics Limited (see pages 5 to 6 above) and those executives that report directly to the Chief Executive Officer being:

- Warwick Freeman, Chief Technology Officer
- Christoph Witte, Managing Director – Compumedics Germany GmbH

Remuneration of key management personnel and other executives of the Group

2023	Short-term benefits			Post-employment benefits		Long term benefits	Share based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits	Long service leave	Options	
Name	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive directors</i>								
Rod North	30,000	-	-	-	-	-	-	30,000
Paul Jenz	29,006	-	-	-	-	-	-	29,006
Sub-total non-executive directors	59,006	-	-	-	-	-	-	59,006
<i>Executive Chairman</i>								
David Burton	50,000	-	-	-	-	-	-	50,000
<i>Executive Director & CEO</i>								
David Burton	178,280	-	-	23,969	-	-	-	202,249
<i>Executive Director</i>								
David Lawson	35,000	-	-	3,675	-	-	-	38,675
<i>Executive Director & CFO</i>								
David Lawson	302,768	-	-	29,271	-	6,022	-	338,061
<i>Other key management personnel</i>								
Warwick Freeman	249,432	-	-	26,190	-	17,349	-	292,971
Christoph Witte	350,990	14,705	-	24,011	-	-	-	389,706
Total key management personnel compensation	1,225,476	14,705	-	107,116	-	23,371	-	1,370,668

2022	Short-term benefits			Post-employment benefits		Long term benefits	Share based payments	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Retirement benefits \$	Long service leave \$	Options \$	
Name								
<i>Non-executive directors</i>								
Tucson Dunn	22,500	-	-	-	-	-	-	22,500
Paul Jensz	17,500	-	-	1,750	-	-	-	19,250
Sub-total non-executive directors	40,000	-	-	1,750	-	-	-	41,750
<i>Executive Chairman</i>								
David Burton	50,000	-	-	-	-	-	-	50,000
<i>Executive Director & CEO</i>								
David Burton	178,280	-	-	22,828	-	-	-	201,108
<i>Executive Director</i>								
David Lawson	35,000	-	-	3,500	-	-	-	38,500
<i>Executive Director & CFO</i>								
David Lawson	277,020	-	-	27,702	-	44,575	-	349,297
<i>Other key management personnel</i>								
Warwick Freeman	240,358	-	-	24,035	-	8,395	-	272,788
Christoph Witte	350,837	72,741	-	24,037	-	-	-	447,615
Total key management personnel compensation	1,171,495	72,741	-	103,852	-	52,970	-	1,401,058

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration		At risk – STI		At risk - LTI	
	2023 %	2022 %	2023 %	2022 %	2023 %	2022 %
Directors of Compumedics Limited						
David Burton	100	100	-	-	-	-
Tucson Dunn	100	100	-	-	-	-
David Lawson	100	100	-	-	-	-
Other key management personnel of Compumedics Limited						
Warwick Freeman	100	100	-	-	-	-
Other key management personnel of the Group						
Christoph Witte	100	100	-	-	-	-

The table below identifies for each cash bonus and grant of options included in the tables on page 10, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria set. No other cash bonus targets were set for any other executive of the Group for the year ended 30 June 2023. As such no other executive was eligible for a cash bonus and as a consequence did not forfeit a cash bonus.

Name	Cash bonus	
	Paid %	Forfeited %
David Burton	N/A	N/A
David Lawson	N/A	N/A
Christoph Witte	N/A	N/A

C Service agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of the director.

Remuneration and other terms of employment for the Chief Financial Officer and the other key management personnel are also formalised in service agreements. Each of these agreements provide for the provision of

performance-related cash bonuses, other benefits including health insurance, car allowances and tax advisory services, and other benefits set out below.

All contracts with executives may be terminated early by either party, subject to termination payments, as detailed below.

David Burton, Chief Executive Officer/Chairman

- Fee for services provided for the year ended 30 June 2023 of AUD202,249 to be reviewed annually by the remuneration committee. Director's fees of \$50,000 were also paid (2022: \$50,000). David Burton is also entitled to participate in the Medical Innovation Long Term Performance Plan as approved at the 2009 and 2014 Annual General Meetings.
- D & DJ Burton Holdings Pty Ltd a Company associated with D. Burton receives licence fees, described in Note 30.
- Performance bonus: No performance bonus was paid during the financial year. (2022: NIL).
- Review of last salary and fees - 1 July 2022
- David Burton has a formal Employment Contract, which covers the above terms, amongst other items, including a twelve-month notice period.

David Lawson, Executive Director, Chief Financial Officer/Company Secretary

- Base salary inclusive of superannuation, for the year ended 30 June 2023 of AUD338,061 to be reviewed annually by the remuneration committee. Director's fees of \$35,000 were also paid (2022: \$35,000)
- Performance bonus: No performance bonus was granted or paid during the financial year. (2022: NIL)
- Review of last salary - 1 July 2022
- The service agreement takes the form of a letter of offer, which incorporates Compumedics standard conditions of employment, which includes a twelve-month termination notice period, amongst other statutory conditions.

Warwick Freeman, Chief Technology Officer

- Base salary inclusive of superannuation, for the year ended 30 June 2023 of AUD292,971 to be reviewed annually by the remuneration committee.
- Review of last salary – 31 May 2023
- The service agreement takes the form of a letter of offer, which incorporates Compumedics standard conditions of employment, which includes a twelve-month termination notice period, amongst other basic statutory conditions.

Christoph Witte, Managing Director, DWL

- Base salary inclusive of superannuation, for the year ended 30 June 2023 of EUR231,405 to be reviewed annually by the remuneration committee.
- Car Allowance of EUR7,643
- Performance bonus – a EUR9,480 performance bonus was granted or paid during the year ended 30 June 2023. (2022: EUR46,845)
- Review of last salary -1 July 2022
- Christoph Witte's service agreement contains a notice period of six months, amongst other conditions.

D Share-based compensation

The establishment of the Compumedics Limited Employee Option Plan was approved by shareholders immediately prior to the listing of the Company in December 2000. All staff are eligible to participate in the plan. Options are typically granted under the plan for no consideration except when options are issued in lieu of a cash bonus as noted below. Options are granted for a five-year period and each new tranche vests is exercisable on the following basis:

- (i) 20% of each new tranche vests and is exercisable at the 1st anniversary date of the grant
- (ii) 30% of each new tranche vests and is exercisable at the 2nd anniversary date of the grant
- (iii) 50% of each new tranche vests and is exercisable at the 3rd anniversary date into one ordinary share of the Company.

The exercise price of the options is based on the closing price at which the Company's shares are traded on the Australian Securities Exchange on the day prior to the grant.

Where options have been taken in lieu of a cash bonus the vesting period does not apply, and the exercise price is 1 cent per share. The number of options issued is calculated by dividing the cash bonus available by the average share price for the 5 trading days prior to the granting of the options taken in lieu of the cash bonus.

The Group did not have any share-based payments in the full year ended 30 June 2023. Unissued ordinary shares in Compumedics Limited under option at the date of this report held by directors are Nil.

E Additional information

Loans to directors and executives

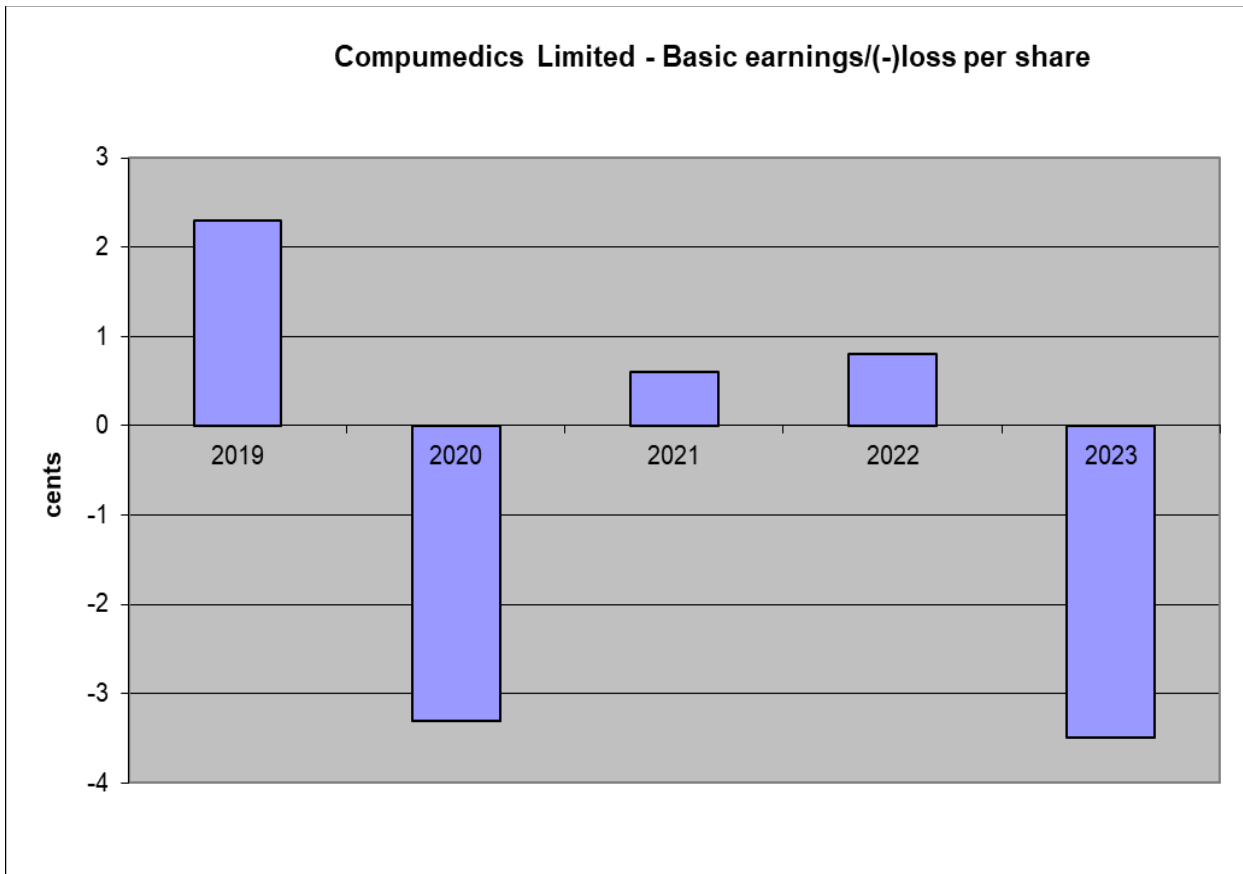
There are no current loans to directors and executives.

Shares under option

There were no unissued ordinary shares of Compumedics Limited under option at the date of this report. No options expired during the financial year ended 30 June 2023 (2022: NIL).

There were no new options issued during the year.

Group performance



The earnings/(loss) per share performance of the Compumedics Group in the 2023 financial year reflects the write-off of assets associated with the MEG business in the first half of the 2023 financial year. The group returned to profitable trading in the second half of the 2023 financial year.

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Insurance of officers

During the financial year, Compumedics Limited paid premiums of \$69,500 to insure the Directors and Secretary of the Company and its Australian-based controlled entities, and the Executives and other senior managers of each of the divisions of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor Nexia Melbourne Audit Pty Ltd, for non-audit services provided during the year are set out below.

The Board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2023	2022
	\$	\$
Non-audit services		
<i>Taxation services</i>		
Tax compliance and fringe benefits tax services	59,000	54,000
Total remuneration for taxation services	59,000	54,000

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 15.

Rounding of amounts

Compumedics Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

Auditor

Nexia Melbourne Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



David Burton
Director

Melbourne
28 September 2023

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Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Compumedics Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Nexia

Nexia Melbourne Audit Pty Ltd
Melbourne

Andrew S. Wehrens

Andrew S. Wehrens
Director

Dated this 28th day of September 2023

Financial Statements – 30 June 2023

This financial report covers consolidated financial statements for the consolidated entity consisting of Compumedics Limited and its subsidiaries. The financial report is presented in the Australian currency and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

Compumedics Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Compumedics Limited
30-40 Flockhart Street
Abbotsford VIC 3067
Australia

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 2 - 3 in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 28 September 2023. The Company has the power to amend and reissue the financial report.

Using the Internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available to our investors on our website: www.compumedics.com.au.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Notes	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Revenue			
Sale of goods and services	5	42,408	37,756
		42,408	37,756
Other income			
	6	515	1,788
Expenses			
Cost of sales		(20,818)	(18,436)
Administration		(6,412)	(5,644)
Sales and marketing		(13,251)	(9,483)
Research and development	7	(5,461)	(4,056)
Impairment of intangible asset		(3,088)	-
Finance costs	7	(652)	(401)
Net foreign exchange gain		40	174
		(6,719)	1,698
Profit/(loss) before income tax			
Income tax (expense)/benefit	8	597	(341)
		(6,122)	1,357
Net profit/(loss)			
Other comprehensive income:			
<i>Items that will be reclassified subsequently to profit and loss when specific conditions are met.</i>			
Foreign currency translation		(824)	79
Other comprehensive income/(loss) for the year		(824)	79
Tax impact of other comprehensive income/(loss)		-	-
		(6,946)	1,436
Total comprehensive income/(loss) for the year			
Profit/(Loss) is attributable to:			
Equity holders of Compumedics Limited		(6,122)	1,357
Total comprehensive income/(loss) for the year is attributable to:			
Equity holders of Compumedics Limited		(6,946)	1,436
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
		Cents	Cents
Basic earnings / (loss) per share	35	(3.5)	0.8
Diluted earnings / (loss) per share	35	(3.5)	0.8

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2023

		Consolidated	
	Notes	2023 \$'000	2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	3,797	7,294
Trade and other receivables	10	14,958	16,470
Inventories	11	10,690	9,709
Income tax receivable		74	74
Total current assets		29,519	33,547
Non-current assets			
Deferred tax asset		1,100	500
Right-of-use assets	27	2,037	146
Property, plant and equipment	12	1,581	1,067
Intangible assets	13	6,242	6,449
Other financial assets		703	-
Total non-current assets		11,663	8,162
Total assets		41,182	41,709
LIABILITIES			
Current liabilities			
Trade and other payables	14	6,325	5,940
Borrowings	15	7,225	6,016
Lease liabilities	27	681	153
Provisions	16	4,177	3,508
Deferred income	17	2,693	1,923
Income tax payable	8	87	-
Total current liabilities		21,188	17,540
Non-current liabilities			
Borrowings	18	205	379
Lease liabilities	27	1,355	-
Provisions	19	67	54
Deferred income	20	76	145
Total non-current liabilities		1,703	578
Total liabilities		22,891	18,118
Net assets		18,291	23,591
EQUITY			
Contributed equity	21	35,654	35,654
Reserves	22(a)	428	(394)
Accumulated losses	22(b)	(17,791)	(11,669)
Total equity		18,291	23,591

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000
At 1 July 2021	35,654	(473)	(13,026)	22,155
Profit for the year	-	-	1,357	1,357
Other comprehensive income	-	79	-	79
Total comprehensive income/(loss) for the year	-	79	1,357	1,436
At 30 June 2022	35,654	(394)	(11,669)	23,591
At 1 July 2022	35,654	(394)	(11,669)	23,591
Loss for the year	-	-	(6,122)	(6,122)
Other comprehensive income	-	822	-	822
Total comprehensive income/(loss) for the year	-	822	(6,122)	(5,300)
At 30 June 2023	35,654	428	(17,791)	18,291

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Notes	Consolidated	
		2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		45,410	36,537
Payments to suppliers and employees (inclusive of goods and services tax)		(45,233)	(33,761)
Interest and other costs of finance paid		(652)	(401)
Income tax paid		-	-
Receipts from grants and other income		524	912
Net cash inflow from operating activities	34	49	3,287
Cash flows from investing activities			
Payment for property, plant, and equipment		(924)	(616)
Payment for intangible assets		(3,484)	(2,369)
Net cash (outflow) from investing activities		(4,408)	(2,985)
Cash flows from financing activities			
Proceeds from borrowings		450	4,831
Repayment of borrowings		(865)	(2,550)
Repayment of lease liabilities (principal only)		(590)	(666)
Net cash (outflow)/inflow from financing activities		(1,005)	1,615
Net increase/(decrease) in cash and cash equivalents		(5,364)	1,917
Cash and cash equivalents at the beginning of the financial year		7,294	5,141
Effects of exchange rate changes on cash and cash equivalents		370	236
Cash and cash equivalents at end of year	9	2,300	7,294

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

Notes to the Financial Statements

For the year ended 30 June 2023

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for the consolidated entity consisting of Compumedics Limited and its subsidiaries. Compumedics Limited is the ultimate parent entity.

(a) Basis of preparation

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

Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Going Concern and funding facilities

During the year ended 30 June 2023 the Group reported a loss before tax of \$6.7m and net positive cash flow from operations of \$0.049m. \$5.1m of the loss before tax was related to the write down of assets associated with the MEG business and were non-cash expenses in the financial year. The group did return to profit in the second half of the 2023 financial year. The Group reported cash of \$3.8m on 30 June 2023, compared to \$7.3m on 30 June 2022 and debt of \$7.4m on 30 June 2023, compared to \$6.4m on 30 June 2022.

The Company has three covenants related to its borrowings, which are tested on 30 June 2023. The company was in compliance with the Capital Ratio but was not in compliance with the Financial Debt to EBITDA ratio, nor the Debt Service Cover Ratio, both of which are impacted by the write-off of the MEG assets in H1 FY23. The Company expects to be in compliance with the tested covenants on 31 December 2023, based on the current forecast of the business, which underpins the guidance to market provided, being revenues of more than \$44m and EBITDA of \$5m for the full financial year 2024.

Whilst the Company's bank reserves its rights under the existing lending facilities, the bank is not taking any action against the Company in relation to the non-compliance of two of the covenants on 30th June 2023 and the Company continues to work with the bank to restore profitability per guidance and as a consequence compliance with its tested covenants at 31 December 2023.

As such the Directors have prepared the financial statements on a going-concern basis.

Changes in Accounting Policies

There were no changes in accounting policies in the year ended 30 June 2023.

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Compumedics Limited ("Group") as at 30 June 2023 and the results of all subsidiaries for the year then ended. Compumedics Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which control is transferred out of the Group. The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations, which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of directors.

Operating segments have been identified based on the information provided to the chief operating decision maker being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Compumedics Limited's functional and presentation currency.

1. Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to foreign currency translation reserve. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in profit or loss, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue from contracts with customers

The core principle of AASB15 is that revenue is recognised taking into consideration the following five elements in any contract of sale by the Company to a customer:

- 1 Identification of a contract with a customer
- 2 Identification of the performance obligations in the contract with a customer
- 3 Determination of the transaction price of the contract with a customer
- 4 Consideration of the transaction price alongside the performance obligations in the contract
- 5 Recognition of revenue (or the transaction price) when (or as) the Company satisfies a performance obligation

In assessing the above criteria, the Company has reviewed the parameters of the contracts of sale it typically enters into with customers when selling products and/or services to them and has grouped contracts of sale with similar parameters together for the purposes of recognising revenue.

The accounting policy for the sale of products and the sale of services is:

The sale of products

The Company typically sells its products, being medical devices (hardware and software), either directly to end-user customers, such as hospitals, private physicians, universities or medical service providers, or to distributors, who then sell the product onto end-user customers.

Where the Company sells products to end-user customers there is typically an installation and training obligation at the end-user customer site, once the goods have been shipped to the end-user customer. In such situations the contract of sale with the end-user customer will separately identify the installation and training obligation, with a separate price for that installation and training obligation.

Taking into consideration the terms and conditions of sale, which forms the basis of the contract of sale between the Company and the end-user customer the Company recognises the sale of the products when the products are shipped from the Company's facility to the end-user customer, excluding that part of the price that is separately attributable to the installation and training obligation. This revenue will be recognised once the installation and training obligation has been satisfied.

1. Summary of significant accounting policies (continued)

(e) Revenue from contracts with customers (continued)

Where the Company sells its products to its distributors, who then sell those products to end-user customers the Company typically, does not have an installation and training obligation with the distributor. As such the Company will recognise revenue for the sale of products to its distributors when the products are shipped to the distributor.

Should the Company sell products to end-user customers or distributors that have different terms and conditions in the contract of sale, to those typically entered into then the Company will review the specific contract of sale and book revenue according to the completion of the terms of the contract of sale.

The sale of services

The Company typically sells its services, being post product-sale technical service and support or software-as-a-service (typically diagnostic software sold on a per-use or per-user basis) either under an annual or multi-year contract with an end-user customer, or on a per-use, or once-off basis.

Typically, the entering of a contract for post product-sale technical service and support by an end-user customer will involve the Company providing pre-defined on-site, over the phone, or WEB-based technical advice regarding the use and/or application of the product. Typically the contract for service will also include performance parameters for service and repair of the products, should they malfunction, be broken or be damaged in use.

Where the Company sells post product-sale technical service and support services to end-user customers under an annual or multi-year contract, the Company will recognise the revenue associated with these contracts for service on a monthly basis as the service obligation for that month is satisfied.

If an end-user customer does not enter into an annual or multi-year service contract and requires these types of services to be performed by the Company then the end-user customer shall pay for these services on a per-use, or once-off basis. Revenue associated with these per-use or one-off contracts for service will be recognised at the time the service obligation by the Company is satisfied with the end-user customer.

Typically, distributors of the Company's products will not require services as described above, but where they do, revenue will be recognised in the manner described above.

Where the Company sells its diagnostic software on a per-use or per-user basis under an annual or multi-year contract to an end-user customer, the Company will recognise that revenue each month as the delivery of the diagnostic software obligation on a per-use or per-user basis is satisfied with the end-user customer for that month.

Should the Company sell services to end-user customers or distributors that have different performance obligations in the contract of service, to those typically entered into, and as described above, then the Company will review the specific contract of service in relation to terms of that contract and book revenue according to the obligations of the contract of service.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be compiled with. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. Government grants relating to an asset are presented in the Statement of Financial Position as unearned revenue.

Government grants and assistance that compensate for costs incurred are deferred and recognised in the Statement of Comprehensive income on systematic basis over the period in which the costs are recognised. Government grants and assistance that compensate for costs are presented in the Statement of Comprehensive income as other income.

1. Summary of significant accounting policies (continued)

(f) Income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that enough taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

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

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables, which are stated with the amount of GST included

1. Summary of significant accounting policies (continued)

(f) Income tax (continued)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(g) Leases

At inception of a contract, the Group assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right, then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset i.e. decision-making rights in relation to changing how and for what purpose the asset is used.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of assets accounting policy. The right-of-use asset is subject to the impairment requirements and is assessed for impairment indicators at each reporting date.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

1. Summary of significant accounting policies (continued)

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within 'sales and marketing expenses'. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1. Summary of significant accounting policies (continued)

(I) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through other comprehensive income - equity instrument (FVOCI - equity)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Fair value through other comprehensive income

Equity instruments

The Group has a number of strategic investments in listed and unlisted entities over which they do not have significant influence nor control. The Group has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to retained earnings and is not reclassified to profit or loss.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost; and
- contract assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is

1. Summary of significant accounting policies (continued)

(l) Financial instruments (continued)

relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, bank and other loans and finance lease liabilities.

Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, the recoverable amount of the asset is estimated. Where assets do not operate independently of other assets, the recoverable amount of the relevant cash generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash generating unit.

1. Summary of significant accounting policies (continued)

(k) Impairment of non-financial assets (continued)

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss. Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(m) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or re-valued amounts, net of their residual values, over their estimated useful lives. The expected useful lives for all categories of property, plant and equipment are between 3 and 6 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(n) Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense when it is incurred. Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development.

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which is dependent on the specific activity capitalised. Historically, this has been 7 years.

(o) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

1. Summary of significant accounting policies (continued)

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(q) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Borrowing costs include:

- Interest on bank overdrafts, other short-term funding facilities and short-term and long-term borrowings,
- Finance lease charges, and
- Bank charges on borrowing facilities.

(r) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(s) Employee benefits

(i) *Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1. Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

(iii) Share-based payments

Share-based compensation benefits, if applicable, are provided to employees via the Compumedics Employee Option Plan. Information relating to these schemes is set out in note 29.

The fair value of options granted under the Compumedics Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market-vesting conditions but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period considers the most recent estimate. The impact of the revision to original estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

(t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Dividends

Provision is made for any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

1. Summary of significant accounting policies (continued)

(w) Rounding of amounts

Compumedics Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

(x) Reclassifications

Certain reclassifications have been made in the financial statements to ensure that prior year comparisons conform to the current year presentations.

(y) New accounting standards and interpretations

The following standards and interpretations have been issued by the AASB but are not yet effective for the year ended 30 June 2023.

Standard Name	Requirements	Effective date	Likely impact on initial application
AASB 2021-2	<p><i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i></p> <p>This Standard amends:</p> <ul style="list-style-type: none">a) AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;b) AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies;c) AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;d) AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; ande) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures. <p>Additional conforming amendments to AASB 1049, AASB 1054, and AASB 1060 were made by AASB 2021-6.</p>	1 January 2023	30 June 2024
AASB 2021-5	<p><i>Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i></p> <p>The amendment narrowed the scope of the recognition exemption in paragraphs 15 and 24 of AASB 112 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendment applies to transactions that occur on or after the beginning of the earliest comparative period presented.</p>	1 January 2023	30 June 2024

Standard Name	Requirements	Effective date	Likely impact on initial application
AASB 2020-1 and AASB 2022-6	<p>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</p> <p>The amendments to AASB 101 specify that conditions (covenants) to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, an entity discloses information about these conditions in the notes to the financial statements.</p> <p>Where AASB 2022-6 is adopted before its mandatory application date, AASB 2020-1 must also be applied at the same date.</p>	1 January 2024	30 June 2025
AASB 2014-10	<p>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)</p> <p>Amends AASB 10 and AASB 128 to remove the inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p> <p>The mandatory application date of AASB 2014-10 has been amended and deferred to annual reporting periods beginning on or after 1 January 2025 by AASB 2021-7.</p>	1 January 2025	30 June 2026

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance and financial position of the Group.

Risk management is carried out by the senior managers of the Group.

(a) Market risk*(i) Foreign currency risk*

Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk primarily arising from currency exposures to the US dollar and the Euro.

The Group does not generally use derivative financial instruments as the Group seeks to offset its revenues and receivables denominated in US dollars and Euros with expenses and payables in the same currency where it is appropriate to do so. The Group will look to cover specific foreign currency exposures where it is appropriate to do so.

The Group's and parent entity's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2023		30 June 2022	
	USD \$'000	EUR \$'000	USD \$'000	EUR \$'000
Financial assets				
Cash and cash equivalents	1,261	935	2,960	1,345
Trade receivables	4,389	2,284	1,556	2,273
Financial liabilities				
Bank and other loans	-	(375)	-	(510)
Trade payables	(1,347)	(756)	(954)	(567)
Net exposure	4,303	2,088	3,562	2,541

Sensitivity analysis

Based on the financial instruments held on 30 June 2023, had the Australian dollar weakened/strengthened by five percent against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have been \$0.309m higher / \$0.341m lower (2022: \$0.246m higher / \$0.272m lower), as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. Based on the financial instruments held on 30 June 2023, had the Australian dollar weakened/strengthened by five percent against the EURO with all other variables held constant, the Group's post-tax profit for the year would have been \$0.163m higher / \$0.181m lower (2022: \$0.250m higher / \$0.276m lower), as a result of foreign exchange gains/losses on translation of EURO dollar denominated financial instruments as detailed in the above table. The Group and parent entity's exposure to other foreign exchange movements is not material. The Group considers a five percent movement in either the US dollar or the Euro appropriate for the purposes of this sensitivity analysis as historically the Australian dollar has moved in a plus or minus five percent band against the US dollar and the Euro in any given recent financial year.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

2. Financial risk management (continued)**(a) Market risk (continued)**

The parent entity has a current intercompany account receivable with the US business, all of which is considered a net investment in the US legal entity. As such, any exchange gain or loss resulting from the translation into Australian Dollars of the net investment of the intercompany account is taken to a foreign currency translation reserve. There is no profit or loss impact from movements in exchange rates relating to this net investment.

The parent entity likewise considers its intercompany account with the German and French businesses as part of its net investment and again there is no profit or loss impact from movements in exchange rates related to these net investments.

(ii) Interest rate risk

As at the reporting date, the Group had the following variable rate borrowings outstanding:

	30 June 2023		30 June 2022	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
Cash and cash equivalents	0.00%	3,797	0.00%	7,294
Bank overdrafts and loan facilities	8.8%	7,430	6.27%	6,395

Sensitivity analysis

The Group's overall sensitivity to interest rate movements is, in part, dependent on the underlying profitability of the Group. If the Group delivers profits at the level achieved in the year ended 30 June 2023, then based on 30 June 2023 year end borrowing of \$5.0m a plus or minus 2% movement in interest rates (+/- \$100,000) would not cause a material change in underlying profitability of the Group.

The Group has adopted a policy of predominantly borrowing in Australian dollars with Australian banks and/or other financial institutions as it builds its offshore businesses. The Group does have an overdraft in its 100% subsidiary Compumedics Germany GmbH. The facility limit is EUR350k. The Group also has a further German government loan in this subsidiary with a limit of EUR500k.

(b) Credit risk

The Group currently sells goods and services primarily to four major geographic regions being:

- Australia and New Zealand (A & NZ)
- United States of America (USA)
- Europe, the Middle East and Africa (EMEA)
- Asia

The sale of goods and services into Australia and New Zealand, the USA, France and Germany are made directly to the end user customer.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

2. Financial risk management (continued)

(b) Credit risk (continued)

The sale of goods and services to Europe, the Middle East, Africa and Asia are typically made via distributors based in specific countries in Europe (excluding France and Germany), the Middle East, Africa and Asia. The distributor then on sells the goods to the end user customer in the specific country in Europe, the Middle East, Africa and Asia. The collectability of receivables within agreed terms is typically better where the goods and services are sold to a direct customer rather than to a distributor.

The Group does not hold any credit derivatives to offset its credit exposure. The Company also has an overdraft facility in its 100% owned Germany based subsidiary, Compumedics Germany GmbH as well as a EUR500k German Government COVID-19 loan facility. Details of which can be found at Note 15. These financing activities do not affect this analysis of credit risk summarised here.

The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant, despite receivable balances remaining payable beyond terms. The following tables identify accounts receivable at 30 June 2023 and 30 June 2022 identified by debt owed into major region and currency. The aging analysis is presented based on due date of invoice.

Region	Not Due \$'000	1 to 29 Days \$'000	30 Days \$'000	60 Days \$'000	90+ Days \$'000	Total \$'000
2023						
Australia and Asia Pacific (AUD)	2,022	121	152	16	51	2,362
Australia and Asia Pacific (USD)	3,011	74	1	128	171	3,385
Australia and Asia Pacific (EUR)	396	-	72	-	48	516
USA Entities (USD)	1,944	694	126	69	448	3,281
European Entities (EUR)	1,951	182	102	100	891	3,226
	9,324	1,071	453	313	1,609	12,770
Provision		-	-	-	(238)	(238)
2022						
Australia and Asia Pacific (AUD)	1,437	158	30	108	(15)	1,718
Australia and Asia Pacific (USD)	1,075	207	39	41	1,159	2,521
Australia and Asia Pacific (EUR)	186	43	38	3	273	543
USA Entities (USD)	2,503	215	352	74	1,417	4,561
European Entities (EUR)	3,765	67	515	73	490	4,910
	8,966	690	974	299	3,324	14,253
Provision		-	-	-	(169)	(169)

The table highlights that:

The collection of cash from the sale of goods and services to direct end user customers as identified by USA (USD) and Australia and Asia Pacific (AUD) accounts receivable usually occurs at or not long after agreed payment terms. Debtors in the 90-day column are 13.7% (2022: 31.1%) and 2.1% (2022: -0.9%) of the total debtors owing in the respective territories. Variations in the 90 day column year-on-year are usually not significant in absolute dollar terms, but in the current year reflect an outstanding debt in the US, which the Group views as recoverable, as such the balances do not reflect any deterioration in amounts owing but rather reflect timing issues related to installation and training and the subsequent collection of cash.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

2. Financial risk management (continued)**(b) Credit risk (continued)**

- The collection of cash from the sale of goods and services to distributors in Europe, the Middle East, Africa and Asia as represented by Australia and Asia Pacific (USD) accounts receivable usually occur well after agreed payment terms.
- Debtors in the 90-day column are approximately 5.1% (2022: 46.0%) of the total debtors outstanding in the current year. The Company does not consider these accounts receivable to be at risk of non-payment but they have aged considerably as a result of the effects of the COVID-19 pandemic, particularly in China.
- The collection of cash from the sale of goods and services in the Europe-based business, which is primarily via distributors into Europe and Asia typically occurs after agreed payment terms. Debtors in the 90-day column for European Entities represent 27.6% (2022: 10.0%) of all debtors owed to this business, again reflecting delays in payment as a result of COVID-19. The Group sees this as a timing issue and expects full recoverability of the amounts owing.

Information on the Group's maximum exposure to credit risk and financial assets that are either past due or impaired can be found at Note 10.

(c) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and committed available credit lines.

The Group does not have a specific policy as to the ratio of long term to short term debt and has instead focused on minimising total Group debt.

The Group manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis across its worldwide business units that reflect expectations of management of the expected settlement of financial assets and liabilities.

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay. When the Group is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Group is required to pay. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant, equipment and investments in working capital (e.g. inventories and trade receivables).

Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

The Company increased bank debt from \$6.4m to \$7.4m during the financial year, whilst decreasing the cash balance to \$3.8m on 30 June 2023 from \$7.3m on 30 June 2022. The increase in bank debt results primarily from working capital needs and the timing of funds in and out of the business.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

2. Financial risk management (continued)

(c) Liquidity risk (continued)

Details of the Group's financing arrangements can be found at Note 15.

Liquid Financial Assets and Liquid Financial Liabilities

Consolidated	6 months \$000	6-12 months \$000	1-5 years \$000	> 5 years \$000	Total \$000
Year ended 30 June 2023					
Liquid financial assets					
Cash and cash equivalents	3,797	-	-	-	3,797
Trade and other receivables	14,958	-	-	-	14,958
	18,755	-	-	-	18,755
Financial liabilities					
Trade and other payables	6,325	-	-	-	6,325
Interest bearing loans and borrowings	7,225	-	205	-	7,430
	13,550	-	205	-	13,755
Net inflow / (outflow)	5,205	-	(205)	-	5,000
Year ended 30 June 2022					
Liquid financial assets					
Cash and cash equivalents	7,294	-	-	-	7,294
Trade and other receivables	16,470	-	-	-	16,470
	23,764	-	-	-	23,764
Financial liabilities					
Trade and other payables	5,940	-	-	-	5,940
Interest bearing loans and borrowings	6,016	-	379	-	6,395
	11,956	-	379	-	12,335
Net inflow / (outflow)	11,808	-	(379)	-	11,429

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Deferred revenues

In calculating the Group's deferred revenues at any point in time the Group makes a judgement regarding the revenues to be deferred to future periods in respect of future installations and training obligations.

The Group reviews its installation and training obligations charged specifically against invoices raised with customers and defers this amount. This amount is deferred until such time as the future installation and training obligations have been extinguished.

(ii) Inventory

At any given point the Group has an obligation to carry its inventory at the lower of cost and net realisable value. In determining the Group's compliance with this requirement, the Group reviews its slow-moving inventory at December 31 and June 30 each year. As a consequence of this review the financial provision for slow moving inventory is adjusted with a resulting profit or loss impact.

In determining the appropriateness of the slow-moving inventory provision, the Group makes estimates about its future use of certain product lines and the ultimate recoverability and usefulness of the inventory on hand.

Given the leading-edge technology nature of the Group's activities, this may mean that inventory that was previously considered usable and therefore of value may quickly become redundant, obsolete or simply no longer usable.

(iii) Trade receivables

Similarly, for trade receivables the Group must make an estimate at any given point in time as to the recoverability of the receivables it has on its ledger and a provision for impairment is created based on this estimate.

The estimate is based on many factors including:

- The Group's knowledge of its customers and the likelihood of there being any issue with payment
- The Group's prior good history in relation to collecting receivables
- The territory where the receivable is owed from; and
- The age of outstanding balances.

Using this information, the Group makes an assessment of the recoverability of its trade receivables.

(iv) Recoverability of capitalised development costs

The Group did capitalise additional costs of \$3.5m (2022: \$2.4m) related predominantly to the development of the Somfit product. The recoverability of these costs is primarily dependent on the commercial success of the Somfit product, which form the basis of the net present value calculations, so that it will generate future economic benefits more than the costs capitalised and therefore supports the carrying value of the assets. The Company did review the carrying value of the intangible assets of the Group for the year on 30 June 2023 and is satisfied the carry values are recoverable. The Group continued amortisation of these costs in the 2023 financial year with a \$0.6m (2022: \$0.1m) charge to profit or loss in the current year, solely related to the intangible assets in the DWL business in Germany.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

3. Critical accounting estimates and judgements*(v) Deferred tax asset / liability*

The Group has booked a deferred tax asset related to the future benefit of unused tax credits as well as a net deferred tax asset relating to timing differences, where it is reasonably certain it can recover those losses against future taxable profits.

4. Operating Segments**(a) Accounting policies and inter-segment transactions**

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior periods except as detailed below:

Inter-entity sales

Inter-entity sales are recognised based on an internally set transfer price. The price is set annually and aims to reflect what the business operations could achieve if they sold their output and services to external parties at arm's length.

Corporate charges

Corporate charges comprise non-segmental expenses such as head office expenses and interest. Corporate charges are allocated to each operating segment on a proportionate basis linked to segment revenue so as to determine a segmental result.

It is the Group's policy that if term of revenue and expenses are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

(b) Description of segments**Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the geographical location in which products are sold and services provided, either directly to end-user customers or via distributors. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

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, ultra-sonic blood-flow systems, supplies and technical service and support. The US business also includes that sleep diagnostic services business. Sales in the Americas are predominantly direct sales to end-user customers. The US office is based in Charlotte, North Carolina.

Australia and Asia Pacific

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

4. Operating Segments (continued)

Europe and the Middle East

The Group's Europe-based business has its principal office in Singen, Germany with additional offices in Hamburg and Freiburg Germany. The Europe based territory includes all countries in the European region, plus all Middle Eastern countries. The Group sells all of its product offerings in this region including sleep diagnostic systems, clinical EEG systems, brain monitoring systems, ultra-sonic blood-flow systems, supplies and technical service and support. The Group sells its ultra-sonic blood-flow systems directly in Germany and all other products are sold via a network of distributors across the territory.

Major Customers

The Group does not have any individual customer that contributes 10% or more to Group revenues in the years ended 30 June 2023 or 30 June 2022.

Segment revenues are allocated based on the country in which the customer is located. Segment assets and capital expenditure are allocated based on where the assets are located.

2023	Americas \$'000	Australia and Asia Pacific \$'000	Europe and the Middle East \$'000	Group \$'000
Revenue				
Sales to external customers	12,046	19,565	10,797	42,408
Intersegment sales	459	3,983	790	5,232
Other intersegment revenue	-	8	1,185	1,193
Total segment revenue	12,505	23,556	12,772	48,833
Intersegment elimination	(459)	(3,991)	(1,975)	(6,425)
Total revenue	12,046	19,565	10,797	42,408
Segment Result	(4,438)	275	2,197	(1,966)
Depreciation and amortisation				(4,101)
Net interest expense				(652)
Net Profit before income tax per the Statement of Profit or Loss and Other Comprehensive Income				(6,719)
Segment Assets	5,932	63,502	17,917	87,351
Intersegment elimination	-	(46,169)	-	(46,169)
Total assets per the Statement of Financial Position	5,932	17,333	17,917	41,182
Acquisition of property plant & equipment	36	726	134	896

Sales within Australia for 2023 were \$5.9m

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

4. Operating Segments (continued)

2022	Americas	Australia and Asia Pacific	Europe and the Middle East	Group
	\$'000	\$'000	\$'000	\$'000
Revenue				
Sales to external customers	11,457	14,198	12,101	37,756
Intersegment sales	669	6,435	484	7,588
Other intersegment revenue	543	8	1,308	1,859
Total segment revenue	12,669	20,641	13,893	47,203
Intersegment elimination	(1,212)	(6,443)	(1,792)	(9,447)
Total revenue	11,457	14,198	12,101	37,756
Segment Result	278	867	2,143	3,288
Depreciation and amortisation				(1,189)
Net interest expense				(401)
Net Profit before income tax per the Statement of Profit or Loss and Other Comprehensive Income				1,698
Segment Assets	8,615	59,573	10,738	78,926
Intersegment elimination	-	(37,217)	-	(37,217)
Total assets per the Statement of Financial Position	8,615	22,356	10,738	41,709
Acquisition of property plant & equipment	24	532	63	619
Sales within Australia for 2022 were \$4.8m				

5. Revenue

	2023 \$'000	2022 \$'000
<i>Sales revenue</i>		
Sale of goods	34,147	34,658
Services	8,261	3,098
	42,408	37,756

6. Other income

	2023 \$'000	2022 \$'000
Other income	515	850
COVID-19 government assistance	-	938
	515	1,788

Other income in the current year relates primarily to funds received under government grants entered into with the Victorian State Government. In the prior year other income relates primarily to COVID-19 government assistance in the form of forgiveness of debt in the USA business.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

7. Expenses

	Consolidated	
	2023	2022
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	388	512
Total depreciation	388	512
<i>Amortisation</i>		
Intangible asset	32	82
Right-of-use assets	560	619
<i>Finance costs</i>		
Interest and finance charges paid/payable	652	401
Impairment of intangible assets	3,088	-
Foreign exchange (gains) and losses (a)	(40)	(174)
<i>Employee benefits</i>		
Payroll expense including leave payments	20,608	18,196
Superannuation entitlements	907	728
	21,515	18,924
Research and development expenditure	5,461	4,056
Current receivables – movement in impairment provision	69	(40)
Inventory – write down:	251	68

(a) Foreign exchange gains and losses

Net foreign exchange gains/(losses) of \$(0.04)m (2022: \$(0.174)m) were primarily related to trading transactions.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

8. Income tax expense/benefit

	Consolidated	
	2023 \$'000	2022 \$'000
(a) Income tax (expense)/benefit		
Current income tax charge	(3)	(841)
Deferred income tax / (asset)	600	500
Income tax reported in the statement of profit or loss and other comprehensive income	597	(341)
(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Profit / (Loss) before income tax expense as reported in the statement of profit or loss and other comprehensive income	6,719	1,698
Tax (expense)/benefit at the Australian tax rate of 25% (2022 – 25%)	1,680	(425)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Prior year adjustments	(194)	-
Research and development	(173)	(338)
Changes in recognised temporary differences	(716)	422
Income tax (expense)/benefit reported in the statement of profit or loss and other comprehensive income	597	(341)
(c) Provision for income tax – current		
Estimated income tax payable	-	-

The benefit of tax losses will be obtained if:

- (i) the Group derives future assessable income of a nature and an amount enough to enable the benefit from the deductions for the loss to be realised,
- (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iii) no change in tax legislation adversely affects the Group in realising the benefit from the deductions for the loss.

(d) Tax consolidation legislation

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

9. Current assets – Cash and cash equivalents

	Consolidated	
	2023	2022
	\$'000	\$'000
Cash at bank and on hand	3,797	7,294

Included in cash on hand is restricted cash amounting to \$0.1m. This relates to security regarding the corporate credit cards used in the US.

Reconciliation to Statement of Cash Flows

For the purposes of the statement of cash flow, cash and cash equivalents comprise the following at 30 June

Cash at bank and on hand	3,797	7,294
Bank overdrafts (note 15)	(1,497)	-
Balances per Statement of Cash Flows	2,300	7,294

10. Current assets – Trade and other receivables

	Consolidated	
	2023	2022
	\$'000	\$'000
Trade receivables	12,770	14,294
Allowance for impairment loss (a)	(238)	(169)
	12,532	14,125
Other receivables/prepayments	2,426	2,345
Related party receivables:		
Loans to key management personnel	-	-
	14,958	16,470

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

At 1 July	169	169
Provision for impairment recognised during the year	(916)	(11)
Receivables written off during the year as uncollectible	985	11
	238	169

The creation and release of the provision for impaired receivables has been included in 'sales and marketing' expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

10. Current assets – Trade and other receivables (continued)**Past due but not impaired**

As of 30 June 2023, trade receivables of \$3.207m (2022 - \$5.159m) were past due but not impaired. These relate to a number of independent customers and distributors for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2023	2022
	\$'000	\$'000
Up to 3 months	1,837	1,963
3 to 6 months	747	691
Over 6 months	623	2,505
	3,207	5,159

Fair value and credit risk

Due to the short-term nature of these non-interest bearing receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

Due to the industry in which the Group operates, the Group trades with a number of Australian and overseas distributors who are historically slow payers. The ageing profile of trade receivables is closely monitored and significantly aged balances and doubtful accounts are provided against.

11. Current assets - Inventories

The provision for stock obsolescence was increased during the year ended 30 June 2023 by \$0.250m as a result of the Group recognising provision against specific inventory items. These activities have led the Group to adjust the provision for stock obsolescence to reflect the recoverable value of the inventory on hand at 30 June 2023.

	Consolidated	
	2023	2022
	\$'000	\$'000
Raw materials and stores (at cost)	6,086	5,614
Work in progress (at cost)	540	509
Finished goods (at net realisable value)	6,166	5,438
Provision for obsolescence	(2,102)	(1,852)
Total inventories at the lower of cost and net realisable value	10,690	9,709

(a) Inventory expense

Inventories recognised as an expense during the year ended 30 June 2023 amounted to \$18,251,441 (2022: \$17,566,138).

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

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

Consolidated	Plant and Equipment At Cost \$'000	Office Equipment At Cost \$'000	Motor Vehicle \$'000	Leasehold Improvements \$'000	Plant and Equipment Leased \$'000	Office Equipment Leased \$'000	Total \$'000
Year ended 30 June 2022							
Opening net book amount	543	403	-	9	-	-	955
Additions	53	173	-	-	393	-	619
Exchange differences	2	4	-	-	-	-	6
Disposals	(1)	-	-	-	-	-	(1)
Depreciation/amortisation expense	(198)	(300)	-	(6)	(8)	-	(512)
At 30 June 2022	399	280	-	3	385	-	1,067
At 30 June 2022							
Cost or fair value	2,477	5,824	228	609	823	592	10,553
Accumulated depreciation	(2,078)	(5,544)	(228)	(606)	(438)	(592)	(9,486)
Net carrying amount	399	280	-	3	385	-	1,067
Year ended 30 June 2023							
Opening net book amount	399	280	-	3	385	-	1,067
Additions	323	107	-	465	1	-	896
Exchange differences	13	13	-	-	-	-	26
Disposals	(18)	(2)	-	-	-	-	(20)
Depreciation/amortisation expense	(180)	(128)	-	(14)	(66)	-	(388)
At 30 June 2023	537	270	-	454	320	-	1,581
At 30 June 2023							
Cost or fair value	2,782	5,929	228	1,074	824	592	11,429
Accumulated depreciation	(2,245)	(5,659)	(228)	(620)	(504)	(592)	(9,848)
Net carrying amount	537	270	-	454	320	-	1,581
Useful life (years)	6	3	3	-	6	3	

(a) Property, plant and equipment pledged as security for liabilities

Refer to note 15 for information on non-current assets pledged as security.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

13. Non-current assets - Intangible assets

Consolidated	Development costs \$'000	Total \$'000
Year ended 30 June 2022		
At 1 July 2021	4,080	4,080
Additions	2,451	2,451
Impairment charge	-	-
Amortisation charge	(82)	(82)
At 30 June 2022	6,449	6,449
At 30 June 2022		
Cost*	14,488	14,488
Accumulated amortisation** and impairment	(8,039)	(8,039)
Net carrying amount	6,449	6,449
Year ended 30 June 2023		
At 1 July 2022	6,449	6,449
Additions	2,892	2,892
Impairment charge	(3,088)	(3,088)
Amortisation charge	(32)	(32)
Exchange difference	21	21
At 30 June 2023	6,242	6,242
At 30 June 2023		
Cost*	17,401	17,401
Accumulated amortisation** and impairment	(11,159)	(11,159)
Net carrying amount	6,242	6,242

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

** Amortisation of \$31,709 (2022 - \$82,257) is included in depreciation and amortisation expense in profit or loss. The remaining balance of the intangible asset relates the Somfit product to be amortised over 10 years from first sale and the DWL products.

14. Current liabilities - Trade and other payables

	Consolidated	
	2023 \$'000	2022 \$'000
Trade payables	5,256	4,738
Other payables	1,069	1,202
	6,325	5,940

(a) Foreign currency risk

For an analysis of the sensitivity of trade and other payables to foreign currency risk refer to note 2.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

15. Current Liabilities - Borrowings

	Consolidated	
	2023 \$'000	2022 \$'000
Secured		
Bank overdraft	1,497	-
Fixed term loan	5,728	6,006
Lease liabilities (note 27)	-	10
Unsecured		
Other loans	-	-
Total Current Borrowings	7,225	6,016

Bank and Other Funding Facilities

During the prior financial year, the Company secured a new \$4.5m loan in Australia with its existing bank, Bank of Melbourne (BOM) under the Federal Governments SME pandemic recovery scheme. The loan is repayable over 10 years and the current balance at the end of June 2023 was \$4.1m. The Company retains its existing overdraft facility with a \$2.0m limit, which was drawn down by \$1.5m on 30 June 2023. The Company also had a principal and interest loan with BOM for funding the manufacture of the MEG system. This facility is repayable over another 4 years and the balance on 30 June 2023 was \$0.8m. The Company also has equipment purchasing facilities typically repayable over three years depending on the equipment purchased. The Company has transactional banking facilities and credit cards with BOM. Provision of these facilities, including the borrowing facilities, is subject to the Group being compliant with three ratios. The first is a Capital Ratio, which compares Total Tangible Assets Less Total Liabilities, to Total Tangible assets. On 30 June 2023, the Group was compliant with this test. The second is a Financial Debt to EBITDA ratio. This compares total financial debt to EBITDA. On 30 June 2023 the Group was not compliant with this test. The third is a Debt Service Cover ratio, which compares EBITDA less tax to Gross interest and principal repayments. On 30 June 2023 the Group was not compliant with this ratio. The groups bank has taken no action on the noncompliance but retains its right to do so. The Group also has a EUR0.35m unsecured overdraft facility with Sparkasse Bank in Germany. This was drawn down by \$0.05m at 30 June 2023. In addition, the Group has a EUR0.5m facility provided by the German government in response to the COVID-19 pandemic. This was drawn down in April 2021 and the proceeds deposited to a term deposit account. This facility is repayable over four years. The remaining loan balance is EUR0.35m

(a) Risk exposures

Details of the Group's exposure to fair value interest rate risk arising from current borrowings is set out in note 2.

(b) Fair value disclosures

No borrowings are readily traded on organised markets.

The carrying amounts of all borrowings are not materially different to their fair values at reporting date.

(c) Assets pledged as security and not derecognised in the Statement of Financial Position

The total secured liabilities are as follows:

	Consolidated	
	2023 \$'000	2022 \$'000
Bank Overdraft	1,497	-
Fixed term loan	5,097	5,816
Overdraft – DWL	54	-
German COVID-19 loan	577	569
	7,225	6,385

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

15. Current Liabilities – Borrowings (continued)

Security is held against the following subsidiaries: Compumedics Telemed Pty Ltd, Compumedics Cardiology Pty Ltd, Compumedics Medical Innovation Pty Ltd, Compumedics USA Inc, Compumedics Germany GmbH and Compumedics Singapore Pte Ltd.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

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

		Consolidated	
		2023	2022
		\$'000	\$'000
Current			
<i>Floating charge</i>			
Cash and cash equivalents	9	3,797	7,294
Receivables	10	14,958	14,125
Inventories	11	10,690	9,709
Total current assets pledged as security		<u>29,445</u>	<u>31,128</u>
Non-current			
<i>Floating charge</i>			
Property, plant and equipment	12	1,581	1,067
Total non-current assets pledged as security		<u>1,581</u>	<u>1,067</u>
Total assets pledged as security		<u>31,026</u>	<u>32,195</u>

(d) Forward exchange contracts

As at 30 June 2023 and 30 June 2022 there were no outstanding forward exchange contracts.

(e) Financing arrangements

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

		Consolidated	
		2023	2022
		\$'000	\$'000
Credit standby arrangements			
Total facility			
Bank Overdraft		2,000	2,000
Fixed term loan		5,097	5,816
Overdraft – DWL		577	531
German COVID-19 loan		577	569
		<u>8,251</u>	<u>8,916</u>
Used at reporting date			
Bank Overdraft		1,497	-
Fixed term loan		5,097	5,816
Overdraft – DWL		54	-
German COVID-19 loan		577	569
		<u>7,225</u>	<u>6,385</u>

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

15. Current Liabilities – Borrowings (continued)

	Consolidated	
	2023 \$'000	2022 \$'000
Unused at reporting date		
Bank Overdraft	503	2,000
Fixed term loan	-	-
Overdraft - DWL	523	531
German COVID-19 loan	-	-
	1,026	2,531
Loan / funding facilities		
Total facilities	8,251	8,916
Used at reporting date	(7,225)	(6,385)
Unused at reporting date	1,026	2,531

The Group had funding facilities totalling \$8.3 million on 30 June 2023.

(f) Derivative instruments

Compumedics Limited and certain of its controlled entities may be party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates. At reporting date there were no outstanding derivative financial instruments in place.

16. Current liabilities - Provisions

	Consolidated	
	2023 \$'000	2022 \$'000
Employee benefits	3,706	3,113
Service warranties (note 16(a))	471	395
	4,177	3,508

(a) Service warranties

Provision is made for the estimated warranty claims in respect of products sold which are still under warranty at reporting date. These claims are expected to be settled in the next financial year but this may be extended into the following year if claims are made late in the warranty period and are subject to confirmation by suppliers that component parts are defective.

Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

(b) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Service warranties \$'000
Current	
Carrying amount at start of year	395
Charged/(credited) to profit or loss	
- additional provisions recognised	76
- unused amounts reversed	-
Carrying amount at end of year	471

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

17. Current liabilities - Deferred income

	Consolidated	
	2023 \$'000	2022 \$'000
Current		
Deferred income	2,693	1,923

Deferred income relates to service contracts yet to be performed and post-sale installation and training obligations yet to be completed pursuant to the Group's accounting policies as detailed in Note 1 Summary of significant accounting policies, (e) Revenue recognition and Note 3 Critical accounting estimates and judgements, (i) Deferred Revenues.

18. Non-current liabilities - Borrowings

	Consolidated	
	2023 \$'000	2022 \$'000
Secured		
Government loan	205	379

(a) Foreign currency and interest rate risk

Information about the Group's exposure to interest rate and foreign currency risk is provided in note 2 and note 15.

19. Non-current liabilities – Provisions

	Consolidated	
	2023 \$'000	2022 \$'000
Employee benefits	67	54

20. Non-current liabilities - Deferred income

	Consolidated	
	2023 \$'000	2022 \$'000
Deferred income	76	145

Deferred income relates to service contracts yet to be performed and post-sale installation and training obligations yet to be completed pursuant to the Group's accounting policies as detailed in Note 1 Summary of significant accounting policies, (e) Revenue recognition and Note 3 Critical accounting estimates and judgements, (i) Deferred Revenues.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

21. Contributed equity

	Consolidated		Consolidated	
	2023 Shares	2022 Shares	2023 \$'000	2022 \$'000
(a) Share capital				
Ordinary shares				
Fully paid	177,162,948	177,162,948	35,654	35,654

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$'000
30 June 2021	Balance	177,162,948		35,654
	No new issues	-	-	-
30 June 2022	Balance	177,162,948		35,654
	No new issues	-	-	-
30 June 2023	Balance	177,162,948		35,654

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

The ordinary shares have no par value.

(d) Other equity securities

There are no other equity securities issued at this time.

(e) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Management will periodically adjust the capital structure of the Group to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may pay a dividend to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management currently has no plans to pay a dividend and has not done so in the prior year. This policy will be reviewed at least annually against known and anticipated operational outcomes.

Management may consider the issue of further shares on the market in the foreseeable future.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

21. Contributed equity (continued)

(e) Capital management (continued)

	Consolidated	
	2023 \$'000	2022 \$'000
Total borrowings	7,430	6,385
Less cash and cash equivalents	3,797	7,294
Net (cash) / debt	(3,633)	(909)
Total equity	18,291	23,591
Total funding	14,658	22,682
Gearing ratio	(24.8)%	(4.0)%

22. Reserves and accumulated losses

	Consolidated	
	2023 \$'000	2022 \$'000
(a) Reserves		
Foreign currency translation reserve	428	(394)
	428	(394)

(b) Accumulated losses

Movements in accumulated losses were as follows:

Balance 1 July	(11,669)	(13,026)
Net profit / (loss) for the year	(6,122)	1,357
Balance 30 June	(17,791)	(11,669)

(c) Other Reserves

	Consolidated Foreign currency translations \$'000
Balance as at 30 June 2021	(473)
Exchange difference on translation of foreign operation	79
Balance as at 30 June 2022	(394)
Exchange difference on translation of foreign operation	822
Balance as at 30 June 2023	428

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit or loss when the net investment is disposed of.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

23. Dividends**Ordinary shares**

The directors have not declared a dividend in the current financial year (2022: Nil).

24. Key management personnel disclosures**(a) Directors**

The following persons were directors of Compumedics Limited during the financial year:

- (i) *Chairman and Chief Executive Officer*
Dr David Burton
- (ii) *Executive Director and Chief Financial Officer*
Mr David Lawson
- (iii) *Non-executive director*
Mr Paul Jenz (commenced 1st January 2022 and retired on 31st March 2023)
Mr. Rod North (commenced on 27th October 2022)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

<i>Name</i>	<i>Position</i>	<i>Employer</i>
Warwick Freeman [^]	Chief Technology Officer	Compumedics Limited
Christoph Witte [^]	Managing Director, DWL	Compumedics Germany GmbH

[^] The above persons were also key management persons during the year ended 30 June 2022

(c) Key management personnel compensation

	Consolidated	
	2023	2022
	\$'000	\$'000
Short-term employee benefits	1,240,181	1,244,236
Post-employment benefits	107,116	103,852
Long-term benefits	23,371	52,970
Share-based payments	-	-
	1,370,668	1,401,058

(d) Equity instrument disclosures relating to key management personnel**(i) Option holdings**

There were no options provided as remuneration during the current or prior year. No options over ordinary shares were held by KMP's on 30 June 2023 and 30 June 2022.

(ii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Compumedics Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

24. Key management personnel disclosures (continued)

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
2022				
Directors of Compumedics Limited				
Ordinary shares				
David Burton and/or associated entities	98,044,319	-	-	98,044,319
David Lawson	3,470,724	-	-	3,470,724
Other key management personnel of the Group				
Ordinary shares				
Warwick Freeman	82,000	-	-	82,000
Christoph Witte	-	-	-	-
2023				
Directors of Compumedics Limited				
Ordinary shares				
David Burton and/or associated entities	98,044,319	-	-	98,044,319
David Lawson	3,470,724	-	-	3,470,724
Other key management personnel of the Group				
Ordinary shares				
Warwick Freeman	82,000	-	-	82,000
Christoph Witte	-	-	-	-

(e) Other transactions with key management personnel

David Burton is a Director and shareholder of Intellirad Solutions Pty Ltd. Where expenses have been paid by Compumedics on behalf of Intellirad Solutions Pty Ltd, these have been reimbursed in full. Compumedics paid for no expenses relating to Intellirad during the year ended 30 June 2023 (2022: NIL).

David Burton is a director of D & DJ Burton Holding Pty Ltd.

25. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2023 \$'000	2022 \$'000
(a) Audit services		
Nexia Melbourne Audit Pty Ltd, Audit and review of financial reports under the Corporations Act 2001	205,000	194,865
Total remuneration for audit services	205,000	194,865
(b) Non-audit services		
<i>Taxation services</i>		
Tax compliance and fringe benefits tax services	59,000	54,000
Total remuneration for taxation services	59,000	54,000
	264,000	248,865

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

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

The consolidated entity had no contingent liabilities at 30 June 2023 (2022: None).

(b) Contingent assets

The consolidated entity had no contingent assets at 30 June 2023 (2022: None).

27. Leases**The Group as a lessee**

The Group has leases over a range of assets including land and buildings, plant and equipment.

The Group has chosen not to apply AASB 16 to leases of intangible assets.

Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

The building leases are for the corporate office and warehouse in Melbourne, Australia and corporate offices in Charlotte NC, USA, Singen, Freiburg and Hamburg Germany. The leases have all been renewed for varying lease terms out to 36 months, the Melbourne lease has an option which is equal to current lease term of 36 months. The Company may seek to extend these leases, or exercise its option, where it believes this to be in the best interests of the Company. The rentals are subject to an annual CPI increase.

The equipment leases are for various items of plant and equipment and cars.

Right-of-Use Assets

	Buildings \$'000	Office Equipment and Cars \$'000	Total \$'000
Year ended 30 June 2022			
Balance at 1 July 2021	712	44	756
Amortisation charge	(573)	(46)	(619)
Exchange differences	(9)	18	9
Balance at 30 June 2022	130	16	146
Year ended 30 June 2023			
Balance at 1 July 2022	130	16	146
Additions	2,449	-	2,449
Amortisation charge	(544)	(16)	(560)
Exchange differences	2	-	2
Balance at 30 June 2023	2,037	-	2,037

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

27. Leases (continued)

Lease Liabilities

	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total undiscounted lease liabilities \$'000	Lease liabilities included in this Consolidated Statement of Financial Position \$'000
Year ended 30 June 2022					
Lease liabilities	210	-	-	210	153
Year ended 30 June 2023					
Lease liabilities	534	931	-	1,465	2,037

Extension Options

The Group may include options in the leases to provide flexibility and certainty to the Group operations and reduce costs of moving premises. Currently the Group has no extension options on its building leases.

Consolidated Statement of Profit and Loss and Other Income

The amounts recognised in the consolidated statement of profit or loss and other comprehensive income relating to leases where the Group is a lessee are shown below:

	Consolidated	
	2023 \$'000	2022 \$'000
Expenses relating to leases of low value assets or short term leases	120	-
Amortisation of right-of-use assets	560	619
Lease interest	111	50
Total	791	669

Consolidated Statement of Cash Flows

	Consolidated	
	2023 \$'000	2022 \$'000
Total cash outflow for leases	590	666

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

28. Commitments

No commitments as at 30 June 2023 (2022: None)

29. Share-based payments**Employee Option Plan**

The Group did not have any share-based payments in the full year ended 30 June 2023 (2022: None).

30. Related party transactions**(a) Parent entity**

The ultimate parent entity in the wholly owned group is Compumedics Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 32.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 24.

(d) Transactions with related parties

Transactions between Compumedics Limited and related entities during the years ended 30 June 2023 and 2022 consisted of:

	Consolidated	
	2023	2022
	\$'000	\$'000
Licence fee for a non-exclusive licence for certain intellectual property (the Licenced Rights) to D & DJ Burton Holdings Pty Ltd, an entity related to D Burton	441,277	439,254

The License fees are paid to D&DJ Burton Holdings Pty Ltd.

(e) Loans to/from related parties

There were no loans outstanding to or from related parties during the year ended 30 June 2023.

(f) Guarantees

No guarantees have been given or received from related parties.

(g) Terms and conditions

All transactions between related parties were made on normal commercial terms and conditions and at market rates.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

31. Parent Entity Information

	2023 \$'000	2022 \$'000
Information relating to Compumedics Limited:		
Current assets	16,856	17,064
Total assets	63,351	59,420
Current liabilities	15,591	12,635
Total liabilities	16,013	12,700
Contributed Equity	35,652	35,652
Reserves	5,595	4,021
Retained earnings/(losses)	6,090	7,047
Total shareholders' equity	<u>47,337</u>	<u>46,720</u>
Profit or loss of the parent entity	(957)	1,801
Total comprehensive income (loss) of the parent entity	617	(3,550)

Guarantees

The facilities provided by the Bank of Melbourne are secured by a Corporate Guarantee and Indemnity unlimited as to amount and a Mortgage Debenture secure the working capital facilities over all the assets and undertaking of the parent entity, Compumedics Limited and its subsidiaries. Further details are in Note 15.

Contingent Liabilities

The parent entity had no contingent liabilities at 30 June 2023 (2022: None).

Contractual Commitments

The parent entity has no contractual commitments at 30 June 2023 (2022: None).

32. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

	Country of incorporation	Class of shares	Equity holding	
			2023 %	2022 %
Compumedics Telemed Pty Ltd	Australia	Ordinary	100	100
Compumedics Medical Innovation Pty Ltd	Australia	Ordinary	92	92
Compumedics Cardiology Pty Ltd	Australia	Ordinary	100	100
Compumedics USA Inc.	USA	Ordinary	100	100
Compumedics Singapore Pte Ltd	Singapore	Ordinary	100	100
Compumedics USA Ltd (formerly Neuroscan Ltd)	USA	Ordinary	100	100
Compumedics Germany GmbH	Germany	Ordinary	100	100
Cardio Sleep Services Inc.	USA	Ordinary	100	100
Compumedics France SAS	France	Ordinary	100	100
DWL USA Inc.	USA	Ordinary	100	100
Compumedics Europe GmbH	Germany	Ordinary	100	100
Compumedics Korea Co. Ltd.	South Korea	Ordinary	100	100

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

33. Events occurring after the reporting date

The Directors are not aware of any matters after the end of the financial year that would have a material impact on the financial performance of the Group.

34. Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2023 \$'000	2022 \$'000
Profit / (loss) for the year	(6,122)	1,357
Amortisation	603	702
Asset impairment	3,088	-
Depreciation	410	512
Net exchange differences	285	485
Change in operating assets and liabilities		
(Increase) decrease in receivables	1,511	(987)
(Increase) decrease in inventories	(981)	(30)
(Increase) decrease in other current assets	-	(72)
(Increase) decrease in deferred tax assets	(600)	322
Increase (decrease) in trade payables	385	555
Increase (decrease) in deferred revenues	701	47
Increase (decrease) in tax provisions	86	-
Increase (decrease) in other provisions	683	396
Net cash inflow from operating activities	49	3,287

35. Profit / (Loss) per share

	Consolidated	
	2023 Cents	2022 Cents
(a) Basic profit / (loss) per share –cents per share		
Profit/(Loss) attributable to the ordinary equity holders of the Company	(3.5)	0.8
(b) Diluted profit / (loss) per share		
Profit/(Loss) attributable to the ordinary equity holders of the Company	(3.5)	0.8
(c) Reconciliations of profit/(loss) used in calculating earnings per share		

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Basic profit / (loss) per share</i>		
Profit	(6,122)	1,357
<i>Diluted profit / (loss) per share</i>		
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating diluted profit/ (loss) per share	(6,122)	1,357
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating diluted profit/ (loss) per share	(6,122)	1,357

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

35. Profit / (Loss) per share (continued)**(d) Weighted average number of shares used as the denominator**

	Consolidated	
	2023	2022
	Number	Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic profit/(loss) per share</i>	<u>177,162,948</u>	<u>177,162,948</u>
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted profit/(loss) per share</i>	<u>177,162,948</u>	<u>177,162,948</u>

(e) Information concerning the classification of securities

There are no other outstanding options or other instruments convertible into ordinary shares of the Company at the date of this report.

Directors' Declaration

In the opinion of the directors:

- (a) the financial statements and notes set out on pages 17 to 63 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2023 and of their performance for the financial year ended on that date; and
 - (iii) complying with the International Financial Reporting Standards as disclosed in note 1, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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



David Burton
Director

Melbourne
28th September 2023

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Independent Auditor's Report to the Members of Compumedics Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Compumedics Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Company, as at the date of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our opinion, there are no key audit matters to communicate.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

Advisory. Tax. Audit.

Registered Audit Company 291969

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Independent Auditor's Report to the Members of Compumedics Limited

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. The annual report is expected to be made available to us after the date of this independent auditor's report.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report to the Members of Compumedics Limited

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 12 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Compumedics Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Nexia

Nexia Melbourne Audit Pty Ltd
Melbourne

A. Wehrens

Andrew S. Wehrens
Director

Dated this 28th day of September 2023

Additional information required by Australian Stock Exchange Listing Rules and not disclosed elsewhere in this Annual Report; the information presented is at 22 September 2023.

A. Distribution of equity securities

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

		Class of equity security			Redeemable	Number
		Ordinary	Options	Number	Convertible	Number
		shares	Number held	held	notes	held
1	to 1000	244	133,403	-	-	-
1,001	to 5,000	715	2,009,956	-	-	-
5,001	to 10,000	320	2,576,256	-	-	-
10,000	to 100,000	465	15,035,549	-	-	-
100,001	and over	96	157,407,784	-	-	-
		1,840	177,162,948	-	-	-

There were 477 holders of less than a marketable parcel of ordinary shares and they hold 453,602 ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Position	Holder Name	Holding	%
1	D & DJ BURTON HOLDINGS PTY LTD	96,002,819	54.19%
2	B & R JAMES INVESTMENTS PTY LIMITED <JAMES SUPERANNUATION A/C>	7,200,000	4.06%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,917,044	3.90%
4	BEIJING BESTMED TECH LTD	4,901,961	2.77%
5	MEDIGAS ITALIA S R L	4,333,333	2.45%
6	MR DAVID FRANCIS LAWSON & MS MICHELLE GABRIELLE CALLINAN <LAWSON CALLINAN SUPER A/C>	2,464,482	1.39%
7	ELECTRO MOLECULAR PTY LTD	2,041,500	1.15%
8	VALUI PTY LTD <FORTIS SUPER FUND A/C>	1,830,987	1.03%
9	MS KARIN JONES	1,209,576	0.68%
10	KNOWLER PROPERTY PTY LTD	1,198,000	0.68%
11	MR BERNARD FREDERICK KNOWLER & MRS ROBYNNE LYNETTE KNOWLER <KNOWLER FAMILY A/C>	1,120,000	0.63%
12	MR MARK DAVID HOLDER	1,030,000	0.58%
13	MR NIGEL STRONG	1,008,786	0.57%
14	MR DAVID FRANCIS LAWSON	1,006,242	0.57%
15	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,000,000	0.56%
16	ZIGSUPER PTY LTD <ZIGURAS SUPER FUND A/C>	900,000	0.51%
17	BFA SUPER PTY LTD <GDN SUPER FUND A/C>	832,286	0.47%
18	AVIANTO PTY LTD <HOCK SOO MEE SUPER A/C>	784,534	0.44%
19	CANUCKI PTY LTD <CANUCKINOZ FUND A/C>	749,469	0.42%
20	MR BRUCE DENNIS LUSTY & MRS JAN DENISE LUSTY <THE LICENTIA A/C>	737,883	0.42%
Total		137,268,902	77.48%
Total issued capital		177,162,948	100.00%

Unquoted equity securities

There are no unquoted equity securities on issue

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C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Ordinary shares D & DJ Burton Holdings Pty Ltd and Electro Molecular Pty Ltd*	98,044,319	55.34

* Electro Molecular Pty Ltd is owned by David Burton, who is also a shareholder of D & DJ Burton Holdings Pty Ltd

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

- (a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) Convertible redeemable notes
No voting rights.
- (c) Options
No voting rights.

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