

COMPUMEDICS LIMITED

(ACN 006 854 897)

ASX final report – 30 June 2007

Lodged with the ASX under Listing Rule 4.3A

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Compumedics Limited
Financial Report
Year ended 30 June 2007
Results for Announcement to the Market

				\$'000
Revenue from ordinary activities <i>(Appendix 4E item 2.1)</i>	Declined	2.6%	to	36,734
Profits before interest, tax, depreciation and amortisation	Increased	n/a	to	1,270
Profits from ordinary activities after tax attributable to members <i>(Appendix 4E item 2.2)</i>	Increased	n/a	to	123
Net profits for the period attributable to members <i>(Appendix 4E item 2.3)</i>	Increased	n/a	to	123

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

Record date for determining entitlements to the dividend

(Appendix 4E item 2.5)

N/a

n/a

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

Growth was achieved in many parts of the group for the full year when compared to the prior year but these gains were not enough to offset reduced sales in Asia and in particular China resulting in an overall 2.6% decline in revenues for the full year ended June 30, 2007 to \$36.7m for the entire group as compared to \$37.7m for the prior full year.

The group reported revenue growth in other areas with Europe and the USA performing well despite the significant movement with the Australian dollar to the US dollar. The US business grew 12.1% to USD12.0m for the year ended June 30, 2007 when compared to USD10.7m for the prior full year. In Australian dollars the growth was 7.8% to AUD15.2m compared to AUD14.1m for the prior full year.

Europe clinical sales (excluding DWL) posted growth of 16.3% to AUD5.0m for the year ended June 30, 2007 compared to AUD4.3m for the prior full year.

Australia performed well despite the relative market size with growth of 6% to AUD5.3m for the year ended June 30, 2007 compared to AUD5.0m for the prior full year.

Finally DWL also achieved growth of 6.3% to EUR3.4m for the year ended June 30, 2007 compared to EUR3.2m for the full prior year.

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

EBITDA at \$1.3m for the year ended June 30, 2007 was a significant \$1.8m turnaround from the prior full year EBITDA loss of \$0.5m. The positive turnaround in EBITDA in the current year has been achieved despite lower sales and a significant \$1.0m charge to the income statement for net foreign exchange losses. These net foreign exchange losses are primarily related to the consolidation of the US and DWL businesses into group numbers and the appreciation of the Australian dollar against the US dollar and the Euro in the year ended June 30, 2007.

The underlying turnaround in the EBITDA result reflects the significant cost reductions put in place in late calendar 2005 and early calendar 2006 and an on-going focus on continuing to remove costs from the business and improve operational efficiencies.

The Company also capitalised development costs as an intangible asset (\$0.8m) for the year ended June 30, 2007 associated with its SomniLink SPAP sleep treatment technology.

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

Profits from ordinary activities after tax at \$0.1m for the year ended June 30, 2007 was a \$1.7m improvement from the \$1.6m loss recorded for the prior full year.

The above explanation for the improvement in EBITDA reflects the underlying operational improvements in earnings, whilst the profit from ordinary activities after tax was adversely impacted by the significant on-going financing costs incurred by the business as it has worked its way back to profitable trading.

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

No dividends have been declared or paid in the period.

Compumedics Limited

Consolidated income statement for the year ended 30 June 2007

	2007 \$'000	2006 \$'000
Revenue from continuing operations	36,734	37,703
Other income	137	1,173
Cost of sales	(15,384)	(18,024)
Administration	(4,277)	(4,796)
Sales & Marketing	(10,573)	(9,973)
Research & Development	(4,600)	(7,312)
Finance costs	(871)	(643)
Net foreign exchange gain / (loss)	(1,043)	277
Profit/(Loss) before income tax	123	(1,595)
Income tax expense	-	-
Profit/(Loss) for the full year	123	(1,595)
Profit/(Loss) attributable to members of Compumedics Limited	123	(1,595)

Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company (cents):

Basic earnings per share	0.1	(1.1)
Diluted earnings per share	0.1	(1.1)

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

Compumedics Limited
Consolidated balance sheet
as at 30 June 2007

	2007 \$'000	2006 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	363	3,319
Receivables	12,464	13,112
Inventories	4,990	4,826
Total current assets	17,817	21,257
Non current assets		
Property, plant and equipment	613	918
Intangible assets	820	-
Non current assets	1,433	918
Total assets	19,250	22,175
LIABILITIES		
Current liabilities		
Payables	6,982	7,128
Borrowings	2,311	3,196
Current tax liabilities	73	72
Provisions	747	640
Deferred revenue	1,075	1,115
Total current liabilities	11,188	12,151
Non-current liabilities		
Borrowings	1,137	3,247
Provisions	11	66
Total non-current liabilities	1,148	3,307
Total liabilities	12,336	15,458
Net assets	6,914	6,717
EQUITY		
Contributed equity	29,292	29,020
Reserves	(583)	(385)
Retained losses	(21,795)	(21,918)
Total equity	6,914	6,717

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Compumedics Limited
Consolidated statement of changes in equity for the full year
as at 30 June 2007

	2007	2006
	\$'000	\$'000
Total equity at the beginning of the financial year	6,717	8,139
Exchange differences on translation of foreign operations	(198)	173
Net income/(loss) recognised directly in equity	(198)	173
Profit/(Loss) for the year	123	(1,595)
Total recognised income and expenses for year	(75)	(1,422)
Transactions with equity holders in their capacity as equity holders:		
Value of conversion rights on issue of Redeemable Convertible Notes (RCN's)	345	-
Deferred tax liability attributable to conversion rights on issue of RCN's	(73)	-
Total equity at the end of the financial year	6,914	6,717

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

Compumedics Limited
Consolidated cash flows statement
for the year ended 30 June 2007

	2007	2006
	\$'000	\$'000
Cash flow from operating activities		
Receipts from customers (inclusive of goods and services tax)	37,178	36,938
Payments to suppliers and employees (inclusive of goods and services tax)	(35,762)	(39,502)
Interest and other costs of finance paid	(705)	(643)
Receipts from grants and other income	52	1,711
Net cash inflow/(outflow) from operating activities	6	(1,496)
Cash flows from investing activities		
Payments for property, plant and equipment	(160)	(112)
Payments for intangible assets	(797)	-
Interest received	84	118
Net cash inflow/(outflow) from investing activities	(873)	6
Cash Flows from financial activities		
Proceeds from borrowings	-	1,371
Repayments of finance leases	(103)	(183)
Repayment of borrowings	(2,714)	(710)
Net cash inflow/(outflow) from financing activities	(2,817)	478
Net decrease in cash and cash equivalents	(2,927)	(1,012)
Cash and cash equivalents at the beginning of the year	2,354	3,328
Effects of exchange rate changes on cash	19	38
Cash and cash equivalents at the end of the financial year	(555)	2,354
This is represented by:		
Cash Assets	363	3,319
Bank Overdraft (Interest bearing liabilities)	(918)	(965)
Net Cash	(555)	2,354

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

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2007

1 Summary of significant accounting policies

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

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

(a) Basis of preparation of consolidated financial report

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

This preliminary consolidated financial report for the year ended 30 June 2007 does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Compumedics Limited during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Compliance with IFRS

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

Early adoption of standards

The Group has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2006:

- revised AASB 101 Presentation of Financial Statements (issued October 2006)

This includes applying the pronouncement to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. No adjustments to any of the financial statements were required for the above pronouncement, but certain disclosures are no longer required and have therefore been omitted.

Historical cost convention

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

Critical accounting estimates

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

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

Going Concern

During the full year ended 30 June 2007 the consolidated entity (Compumedics) returned to an operating profit of \$0.1m and positive cash flows from operations of \$0.8m. However, repayment of borrowings of \$2.7m contributed to a net decrease in cash of \$2.9 million during the full year ended 30 June, 2007.

The past financial year has seen the initial evidence of an aggressive restructure across the sales and marketing functions in each geographic territory of the business conducted in late 2005 and during 2006. This was combined with further restructuring of the operational facets of the business and the reduction of cash expenses. These cost reductions have largely been the result of head count reductions which have been implemented across all parts of the business.

The focus on cost reductions has continued during the financial year ended 30 June 2007.

The Directors of Compumedics will continue to maintain vigorous control of its costs as the improvements in revenues continue to emerge, to give the company the best opportunity of continuing to generate profits, without jeopardising the sustainability of the business over the longer term.

The Directors are actively seeking new financing with an alternative finance provider at this time to provide the Company with more commercially acceptable funding arrangements. The Directors expect to complete this process within the next few months.

The Directors also continue to progress a number of additional strategies in order to potentially raise capital or reduce costs further should the need arise.

The Directors will continue to focus efforts on the earnings turnaround that was evident during the financial year ended June 30, 2007. The turnaround in profitability and cash generation remains very dependent on margin improvement and also Compumedics' ability to reduce debtor days through greater compliance to sales terms.

As a result of the above matters, the Directors believe Compumedics will be successful in the above activities and accordingly have prepared the financial report on the basis that Compumedics will realise its assets and settle its liabilities and commitments in the normal course of business and for at least the amounts stated in the financial report.

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2007

Note 2. Segment information

Segment reporting – Primary
For the year ended 30 June 2007

\$'000

	Sleep	Brain Research - Neuroscan	Clinical EEG & DWL - Neuroscience	Supplies & Service - NMS	Unallocated/ Elimination	Group
Sales to external customers	15,352	8,548	8,634	4,200		36,734
Intersegment sales	-	-	-	-	-	-
Total sales revenue	15,352	8,548	8,634	4,200	-	36,734
Other income/revenues	65	36	36	-	-	137
Net foreign exchange gain	-	-	-	-	-	-
Total revenue/income	15,417	8,584	8,671	4,200	-	36,871
SEGMENT RESULT	201	377	(696)	922	-	804
Finance costs						(681)
Tax expense						-
Profit for the year						123
Segment assets	7,206	3,664	3,994	2,590	-	17,454
Unallocated assets						1,796
Tax assets						-
Total assets						19,250
Segment liabilities	2,918	1,625	1,641	798		6,982
Unallocated liabilities						5,354
Tax liabilities						-
Total liabilities						12,336
Net assets						6,914
Acquisition of PPE	-	-	-	-	160	160
Depreciation & Amortisation	-	-	-	-	(465)	(465)

Compumedics Limited
Notes to the consolidated financial statements
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Segment reporting – Primary
For the year ended 30 June 2006

\$'000

	Sleep	Brain Research - Neuroscan	Clinical EEG & DWL - Neuroscience	Supplies & Service - NMS	Unallocated/ Elimination	Group
Sales to external customers	14,823	9,700	8,706	4,355	-	37,584
Intersegment sales	-	-	-	-	-	-
Total sales revenue	14,823	9,700	8,706	4,355	-	37,584
Other income/revenues	1,117	56	-	-	-	1,173
Total revenue/income	15,940	9,756	8,706	4,355	-	38,757
SEGMENT RESULT	1,050	(601)	(1,884)	945	(581)	(1,071)
Finance costs						(524)
Tax expense						-
Loss for the year						(1,595)
Segment assets	6,860	3,987	4,165	2,348		17,360
Unallocated assets						4,815
Tax assets						-
Total assets						22,175
Segment liabilities	2,819	1,844	1,637	828		7,128
Unallocated liabilities						8,330
Tax liabilities						
Total liabilities						15,458
Net assets						6,717
Acquisition of PPE	-	-	26	-	92	118
Depreciation & Amortisation	-	-	(252)	-	(693)	(945)

Explanation of Primary business segments

The primary business segments are based on the significant areas in which the business operates. These include:

- (i) Sleep – sleep diagnostic hardware and software for clinical application
- (ii) Neuroscan – neurological research hardware and software for research application
- (iii) Neuroscience – neurological and trans cranial Doppler hardware and software for clinical application
- (iv) NMN – neuro medical supplies for use in all three areas above. The section also includes service contracts

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2007

Segment reporting – Secondary
For the year ended 30 June 2007

\$'000

	USA	Asia/Pac	EUR	Elimination	Group
Sales to external customers	15,233	15,742	5,759	-	36,734
Intersegment sales	1,182	2,125	811	(4,118)	-
Total sales revenue	16,415	17,867	6,570	(4,118)	36,734
Other income/revenue	1	78	58	-	137
Total segment revenue	16,416	17,945	6,628	(4,118)	36,871
Segment Assets	5,080	19,624	3,925	(9,379)	19,250
Tax assets					-
Total assets					19,250

Explanation of changed secondary segment reporting

Sales to external customers are recorded based on the geographical location of the customer.

Compumedics Limited
Notes to the consolidated financial statements
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Segment reporting – Secondary
For the year ended 30 June 2006

\$'000

	USA	Asia/Pac	EUR	Elimination	Group
Sales to external customers	14,058	13,035	10,491		37,584
Intersegment sales	1,536	2,460	481	(4,477)	-
Total sales revenue	15,594	15,495	10,972	(4,477)	37,584
Other income/revenue	56	114	1,003	-	1,173
Total segment revenue	15,650	15,609	11,975	(4,477)	38,757
Segment Assets	6,364	20,282	4,631	(9,102)	22,175
Tax assets					-
Total assets					22,175

Explanation of changed secondary segment reporting

Following the acquisition of the DWL business in September, 2004 the European based business has grown to represent a material component of the overall group in terms of revenues.

Sales to external customers are recorded based on the geographical location of the customer.

Compumedics Limited
Notes to the consolidated financial statements
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Note 3. Business Combination

Prior Year

Upon transition to AIFRS the company reviewed the carrying value of the intellectual property at June 30, 2006 in relation to the acquisition of the DWL business. At that time and in accordance with AASB 136 Impairment of Assets the business reduced the carrying value of the intellectual property as described in Note 6.

At 31 December 2006 the Directors identified an impairment indicator and consequently reviewed the carrying value of the intellectual property for impairment. This resulted in \$252,000 of intangible assets being written off. The carrying value of the intellectual property at June 30, 2006 was NIL (June 2006: \$0.3m)

Current Year

There have been no business combinations in the current year.

Note 4. Dividends (Appendix 4E, Item 6)

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

Dividend/distribution reinvestment plans (*Appendix 4E item 7*)
NOT APPLICABLE

Note 5. Events occurring after reporting date

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

Compumedics Limited
Notes to the consolidated financial statements
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Note 6 - Reconciliation of profit after income tax to net cash flow from operating activities

	2007	2006
	\$'000	\$'000
Profit / (Loss) for the year	123	(1,595)
Depreciation & amortisation	465	945
Interest received	(84)	(118)
Net exchange differences	1	(151)
Property lease benefit amortisation	(91)	(33)
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
Decrease (Increase) in receivables	648	(1,328)
Decrease (Increase) in inventories	(164)	1,136
(Decrease) Increase in payables	(146)	(328)
(Decrease) Increase in deferred revenues	(40)	(73)
(Decrease) Increase in other provisions	51	50
Net cash inflow/(outflow) from operating activities	763	(1,496)

Compumedics Limited
Supplementary Appendix 4E information
for the year ended 30 June 2007

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

	2007	2006
Net tangible asset backing per ordinary share	4.4 cents	4.8 cents

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

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

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

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

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

Earnings per share

Earnings per share improved with the underlying improvement in earnings for the Company already discussed.

Returns to shareholders

As per earnings per share commentary.

Significant features of operating performance

Comments already noted.

Compumedics Limited
Supplementary Appendix 4E information
for the year ended 30 June 2007

Results of segments

Primary Segments:

All primary business segments showed improvement consistent with the underlying performance of the group.

The sales restructure that has lead to current emerging sales position was effected across all parts of the group.

In addition, expense reductions were also consistently applied across the business segments.

Trends in performance

The focus for the Company will be on the continuing restoration of earnings and the consistent achievement of such earnings over time. The Company will also continue to logically expand its market penetration in each of its existing key markets as the financial capacity of the Company allows for this.

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

All material matters have been discussed.

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

Not applicable.

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

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