

COMPUMEDICS LIMITED

(ACN 006 854 897)

ASX Half-year information 31 December 2013

Lodged with the ASX under Listing Rule 4.2A.3

This information should be read in conjunction with the 30 June 2013 Annual Report.

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Compumedics Limited

Half-year ended 31 December 2013

(Previous corresponding period:
Half-year ended 31 December 2012)

Results for Announcement to the Market

				\$'000
Revenue from continuing operations <i>(Appendix 4D item 2.1)</i>		Up 9.9%	to	14,479
Profit before interest and tax (A\$'000)		Up \$1,142	To	691
Profit after tax attributable to members <i>(Appendix 4D item 2.2)</i>		Up \$1,169	to	\$402
Net Profit for the period attributable to members <i>(Appendix 4D item 2.3)</i>		Up \$1,169k	to	\$402

Dividends/distributions <i>(Appendix 4D 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 4D item 2.5)

n/a

No interim dividend has been declared

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

The Company generated \$14.5m in revenues from the sale of goods and services, which was 10% higher than the prior corresponding half-year (pcp). At 31 December 2013, the Company was holding \$7.2m in sales orders to ship.

Revenues shipped and invoiced for the six-month period to 31 December 2013 were higher than the pcp due to the following factors:

- 1 The Company secured additional funding in June 2013, which was used to advance production and begin to clear sales- orders on-hand. The Company expects to continue to make significant inroads shipping substantially the remaining sales-orders on-hand during the early months of calendar 2014.
- 2 Importantly the Company achieved sales-order growth over the pcp in the US (up 26%), Japan (up 129%), Europe [excluding Germany] (up 44%) and the Middle East (5%).

The growth in sales-orders in these territories was partially offset by declines in sales-orders taken in Australia, which were down 26% and Asia, which were down 39%. Subsequent to the half-year result the Company has received a significant new order for China [\$1.4m], which has restored growth in that region and has several Australian sales orders close to completing.

Explanation of Profit after tax *(Appendix 4D item 2.6)*

Profit after tax for the half-year to 31 December 2013 was \$0.4m compared to a loss of \$0.8m for the prior corresponding half-year.

The significant improvement in the profitability of the Company over the pcg was a result of being able to ship more sales-orders in the six-month period as a result of the additional funding received in June 2013. The profit also improved due to the favourable movement in the Australian dollar to the US dollar and improved margins as a result of initiatives taken to source more components from Asia and to selectively move some production to Asia during the six-month period. The full favourable impact of these initiatives and external circumstances will be more evident in the second half of the financial year.

The Company remains committed to its strategic growth plans, whilst at the same time improving productivity and efficiency throughout the business in order to continue to generate consistent and growing profits, despite the relatively "high-Australian-dollar" environment the Company is operating in, and expects to continue to operate in.

In terms of the key growth opportunities for the core sleep and neurological disorders monitoring equipment business the Company believes growth will continue to come from the following primary areas:

1. The continuing expansion of Compumedics into the global long-term EEG monitoring (LTEM) market, specifically in the USA and China and other major markets around the world.
2. The expansion of our core sleep-diagnostic and brain (neurological) monitoring businesses in Europe and Asia. Specifically, China where we have renewed and strengthened our relationship with our long-term distributor in that market Bestmed and in Germany and France where we continue to develop our direct presence in these two markets.
3. The monetisation of these businesses and other technologies owned by the Company as conditions improve, particularly in North America and Europe, including the UK.

In relation to efficiency and margin improvement the Company continues to identify further manufacturing activities and component

sourcing opportunities that will build on the profit improvements already underway. These projects are currently in the process of being implemented or planned for implementation over the next three to six months.

Explanation of Dividends (Appendix 4D item 2.6)

No dividends were declared or paid in the period.

Net Tangible Asset (NTA) Backing (Appendix 4D item 3)

	2013	2012
Net tangible asset backing per ordinary share	3.3 cents	2.9 cents

Net tangible assets of \$5.572m divided by issued ordinary shares of 166.885m = 3.3 cents per share

Compumedics Limited

Half-year report – 31 December 2013

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Compumedics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Australian Stock Exchange Listing Rules.

Directors' Report

Interim Report – 31 December 2013

Your directors present their report on the consolidated entity consisting of Compumedics Limited and the entities it controlled at the end of and during the half-year ended 31 December 2013.

Directors

The following persons were directors of Compumedics Limited during the whole of the half-year and up to the date of this report, unless otherwise stated.

Dr. D. Burton

Mr. A. Anderson

Mr. D. Lawson (appointed on 31 Oct 2013)

Dr. G. Mitchell (resigned on 31 Oct 2013)

Review of Operations

A summary of consolidated revenues and results for the half-year is set out below:

	6 months ended Dec 2013	6 months ended Dec 2012
Revenues from continuing operations (A\$'000)	14,479	13,180
(Loss)/Profit before interest, and tax (A\$'000)	691	(452)
(Loss)/Profit for the half-year (A\$'000)	402	(767)
Basic earnings/(loss) per share (cents)	0.2	(0.5)
Diluted earnings/(loss) per share (cents)	0.2	(0.5)

Business / Product Group Performance

Group net profit after tax for the half-year to 31 December 2013 was \$0.4m compared with a loss of \$0.8m in the prior corresponding half-year. The result reflects greater shipments as a result of the additional funding received by the business in June 2013, improved margins due to initiatives already noted and the depreciation of the Australian dollar against the US dollar and the Euro. The Group carried \$7.2m of sales-orders on-hand into the second half of the year and expects to make significant inroads into shipping these sales-orders in second half of the financial year.

The Group continues to focus on the identified growth opportunities for the Group and will pursue these in conjunction with productivity gains and cost

reductions in order to continue to grow the earnings of the Group, despite the relatively “high-Australian-dollar” environment the Group now trades in and expects to continue to trade in.

The Group continued to improve its financial metrics over the half-year to 31 December 2013 including:

- EBITDA for the half year to 31 December 2013 was \$1.3m compared to \$0.2m in the prior corresponding period.
- Operating cash flows were positive \$0.6m for the half-year to 31 December 2013, compared to \$0.4m in the half-year to 31 December 2012.
- Borrowings, at 31 December 2013, of \$2.0 million were lower compared to the \$2.3m of borrowings at 30th June 2013.
- Cash on hand at 31 December 2013 was \$1.3m , which was the same as the balance at 30th June 2013.

Explanation of non-IFRS measures of performance

	31 Dec 2013	31 Dec 2012
	\$'000	\$'000
Profit (Loss) after tax	402	(767)
Tax expense / (benefit)	24	106
Interest expense	265	209
Earnings before interest and tax (EBIT)	691	(452)
Depreciation	149	223
Amortisation	424	411
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,264	182

The Groups financial results are reported under International Financial Reporting Standards (IFRS). This market release also contains non-IFRS measures including EBITDA, EBIT and constant currency. These measures are presented to enable an understanding of the performance of the business before funding, taxation and the treatment of assets is taken into consideration and to review the performance of the business excluding foreign currency movements. The table above explains how EBITDA and EBIT have been calculated.

Events subsequent to reporting date

There are no matters subsequent to half-year end that would materially impact the financial information provided.

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 9.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

A handwritten signature in black ink, appearing to read 'D. Burton', with a stylized, cursive script.

D. Burton
Executive Chairman

Melbourne
26th February, 2014



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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 half-year ended 31 December 2013 there have been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

Hayes Knight Audit

Hayes Knight Audit Pty Ltd
Melbourne

Geoff S. Parker
Director

Dated this

26

day of

FEBRUARY

2014

Compumedics Limited
Consolidated statement of profit or loss and other
comprehensive income
for the half-year ended 31 December 2013

		Half-year 2013 \$'000	Half-year 2012 \$'000
	Notes		
Sale of goods		13,212	12,012
Rendering of services		1,267	1,168
Revenue		14,479	13,180
Cost of sales		(6,588)	(6,007)
Gross profit		7,891	7,173
Other revenue		185	212
Administration		(2,271)	(2,374)
Sales & Marketing		(3,239)	(2,626)
Research & Development		(2,026)	(2,678)
Unrealised foreign exchange gain / (loss)	3	150	(159)
Finance costs		(265)	(209)
Profit/(Loss) before income tax		425	(661)
Income tax credit / (expense)		(23)	(106)
Profit/(Loss) after income tax		402	(767)
Net profit/(Loss) for the period		402	(767)
Other comprehensive income			
Items that may be subsequently reclassified to Profit or Loss when specific conditions are met:			
Foreign currency translation		75	(21)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		477	(788)

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

Compumedics Limited
Consolidated statement of profit or loss and
comprehensive income
for the half-year ended 31 December 2013

	Notes	Half-year 2013 \$'000	Half-year 2012 \$'000
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the parent:		Cents	Cents
Basic earnings/(loss) per share		0.2	(0.5)
Diluted earnings/(loss) per share		0.2	(0.5)

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

Compumedics Limited
Consolidated statement of financial position
as at 31 December 2013

	Notes	31 Dec 2013 \$'000	30 June 2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		1,285	1,292
Trade and other receivables		6,301	8,105
Inventories		7,183	5,498
Total current assets		14,769	14,895
Non current assets			
Property, plant and equipment		732	738
Intangible assets	4	3,258	3,454
Total non current assets		3,990	4,192
Total assets		18,759	19,087
LIABILITIES			
Current Liabilities			
Trade and other payables		4,372	4,600
Interest bearing liabilities	5	1,919	2,339
Provisions		2,339	2,139
Deferred revenues		1,108	1,321
Income tax payable		-	182
Total current liabilities		9,738	10,581
Non current liabilities			
Interest bearing liabilities	5	100	-
Provisions		3	27
Deferred revenues		88	126
Total non current liabilities		191	153
Total liabilities		9,929	10,734
Net assets		8,830	8,353
EQUITY			
Contributed equity		31,269	31,269
Reserves		(520)	(595)
Retained earnings / (losses)		(21,919)	(22,321)
Total equity		8,830	8,353

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

Compumedics Limited
Consolidated statement of changes
in equity for the half-year
ended 31 December 2013

	Contributed equity \$,000	Reserves \$,000	Retained earnings/ (losses) \$,000	Total \$'000
Balance at 1 July 2012	31,019	(972)	(20,832)	9,215
Profit for the period	-		(767)	(767)
Other comprehensive loss	-	(21)	-	(21)
Total comprehensive income / (loss) for the half year	-	(21)	(767)	(788)
Transactions with owners in their capacity as owners:	-	-	-	-
Balance at 31 December 2012	31,019	(993)	(21,599)	8,427
Balance at 1 July 2013	31,269	(595)	(22,321)	8,353
Profit for the period	-	-	402	402
Other comprehensive income / (loss)	-	75	-	75
Total comprehensive income / (loss) for the half year	-	75	402	477
Transactions with owners in their capacity as owners:	-	-	-	-
Balance at 31 December 2013	31,269	(520)	(21,919)	8,830

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

Compumedics Limited
Consolidated statement of cash flows
for the half-year ended 31 December 2013

	Notes	Half-year 2013 \$'000	Half-year 2012 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		16,651	15,176
Payments to suppliers and employees (inclusive of goods and services tax)		(15,912)	(14,659)
Receipts from other income		184	212
Income tax paid		(24)	(106)
Interest paid		(265)	(209)
Net cash from operating activities		634	414
Cash flows from investing activities			
Purchase of property, plant and equipment		(228)	(53)
Purchase of intangible assets		(138)	(93)
Net cash (outflow) from investing activities		(366)	(146)
Cash flows from financing activities			
Contributed equity		-	-
Repayments of finance leases		(63)	(63)
Proceeds from borrowings		100	250
Repayment of borrowings		(400)	(238)
Net cash (outflow) from financing activities		(363)	(51)
Net increase/(decrease) in cash and cash equivalents		(95)	217
Cash and cash equivalents at the beginning of the period		(105)	(296)
Net foreign exchange differences		53	7
Cash and cash equivalents at the end of the period	5	(147)	(72)

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

Compumedics Limited
Notes to the financial statements
for the half-year ended 31 December 2013

1 Basis of preparation and accounting policies

(a) Basis of preparation

The general purpose condensed financial report for the half-year ended 31 December 2013 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all the notes of the type normally included within the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Compumedics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Australian Stock Exchange Listing Rules.

Apart from the changes in accounting policies noted below, the accounting policies adopted are consistent with the most recent Annual Report for the year ended 30 June 2013.

Changes in accounting policy

The accounting policies adopted for the interim condensed consolidated financial statements are consistent with those followed for the preparation of the Group's annual financial statements for the year ended 30 June 2013, and other standards issued as of 1 July 2013 do not have a significant impact on the consolidated financial statements of Compumedics Limited.

The Group has not elected to early adopt any other new standards, amendments or interpretations that are issued but not yet effective.

Compumedics Limited
Notes to the financial statements
for the half-year ended 31 December 2013

(b) Going Concern assumption

During the half-year ended 31 December 2013, the Group generated a profit after tax of \$0.4m and positive cash flows from operations of \$0.6m. In the corresponding prior half-year the Group generated a loss after tax of \$0.8m and cash flows from operations of \$0.4m.

The Group had a net debt position of \$0.7m at 31 December 2013, (cash at \$1.3m and debt at \$2.0m). The net debt position at June 2013 was \$1.0m (cash at \$1.3m and bank debts at \$2.3m).

The Group was holding orders-on-hand at 31 December 2013 of \$7.3m slightly higher than the \$6.4m of orders-on-hand at 31 December 2012 and the same as orders-on-hand at 30th June 2013.

The Group is utilising its existing working capital facilities to clear the backlog of orders-on-hand and has sought an additional temporary funding facility within its existing facility limits from BIBBY Financial Services (BIBBY) to assist in the speeding up of shipments from the factory over the remainder of the financial year.

The Directors believe, based on current information available to them and the on-going support of their primary working-capital provider (BIBBY) and the shareholders who have provided the Company with short-term borrowings, the Company will have sufficient working capital.

As such, the financial report has been prepared on the basis that the Group is a going concern, which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Compumedics Limited
Notes to the consolidated financial statements
for the half-year ended 31 December 2013

Note 2. Operating segment

Identification of reportable segments

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

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

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

Geographic locations

Americas

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

Australia and Asia Pacific

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

Europe and the Middle East

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

Compumedics Limited
Notes to the consolidated financial statements
for the half-year ended 31 December 2013

Note 2. Operating segment (continued)

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

The following table represents revenue and profit information for reportable segments for the half-years ended 31 December 2013 and 31 December 2012.

Half-year ended 31 December 2013

	Continuing operations				
	Australia and Asia				
	USA	Pacific	Europe	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
Sales to external customers	4,494	5,967	4,018	-	14,479
Intersegment sales	273	662	77	-	1,012
Other intersegment revenue	-	-	478	-	478
Total segment revenue	4,767	6,629	4,573	-	15,969
Intersegment elimination	(273)	(662)	(555)	-	(1,490)
Total revenue	4,494	5,967	4,018	-	14,479
Segment Result					
Other income	-	106	79	-	185
Depreciation and amortisation	(10)	(477)	(86)	-	(573)
Finance costs					
Net profit or loss before income tax per the statement of profit or loss and other comprehensive income	(956)	1,216	166	-	426
Segment Assets	2,520	29,163	5,616	-	37,299
Intersegment eliminations	(35)	(18,460)	(30)	-	(18,525)
Total assets per the Statement of Financial Position	2,485	10,703	5,586	-	18,774

Compumedics Limited
Notes to the consolidated financial statements
for the half-year ended 31 December 2013

Half-year ended 31 December 2012

	Continuing operations				
	Australia and Asia				
	USA	Pacific	Europe	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
Sales to external customers	4,065	5,327	3,788	-	13,180
Intersegment sales	581	782	74	-	1,437
Other intersegment revenue	-	-	377	-	377
Total segment revenue	4,646	6,109	4,239	-	14,994
Intersegment elimination	(581)	(782)	(451)	-	(1,814)
Total revenue	4,065	5,327	3,788		13,180
Segment Result					
Other income	-	95	117	-	212
Depreciation and amortisation	-	(508)	(126)	-	(634)
Finance costs	(13)	(196)	-	-	(209)
Net profit or loss before income tax per the statement of profit or loss and other comprehensive income	(1,000)	(199)	538		(661)
Segment assets	2,344	27,425	4,143	-	33,912
Intersegment eliminations	(42)	(15,522)	(123)	-	(15,687)
Total assets per the Statement of Financial Position	2,302	11,903	4,020	-	18,225

Compumedics Limited
Notes to the consolidated financial statements
for the half-year ended 31 December 2013

Note 3. Other expenses

On 1 January 2012 the Company reviewed its accounting policy in relation to the translation of intercompany loans to its offshore subsidiaries such that these loans were considered part of the investment in the subsidiary. At the 1st July 2013 the German entity was reviewed in relation to this policy and the intergroup loan was considered to be trading in nature. As a consequence currency gains and losses arising on these loans have been taken to the profit and loss where as the currency gains and losses on the US intergroup loan have been taken to the Foreign Currency Translation Reserve (FCTR). The unrealised foreign exchange gain in the half-year to 31 December 2013 relates to trading activities in the Australian legal entity that are not hedged, net of the currency gain for the German intergroup account.

Note 4. Intangible assets

	31 Dec 13	30 Jun 13
	\$'000	\$'000
Intangible asset	3,258	3,454

Intangible assets comprise capitalised development costs associated with the SomniLink® SPAP® sleep-treatment device. Development costs of \$0.159m were capitalised in the half-year to 31 December 2013. Amortisation of \$423k is included in the profit and loss for the six months to 31 December 2013. The asset is being amortised over a period of 7 years, through to March 2017.

The Germany-based DWL business capitalises development costs associated with its new Multi-Dop X digital system with Colour Doppler Imaging Module. There were no additional costs capitalised in the current period. Sales have commenced during the 2013 financial year and the intangible assets will be amortised over a 7-year period.

Compumedics Limited
Notes to the consolidated financial statements
for the half-year ended 31 December 2013

Note 5. Cash, Interest bearing liabilities and cash equivalents

	31 Dec 13 \$'000	30 Jun 13 \$'000
Current interest bearing liabilities	1,919	2,339
Non-current interest bearing liabilities	100	-
Total interest bearing liabilities	2,019	2,339
Current interest bearing liabilities comprise:		
Invoice financing facility	1,432	1,397
Fixed term borrowings	460	857
Other – lease commitments	27	85
Total current interest bearing liabilities	1,919	2,339
Cash and cash equivalents		
Cash	1,285	1,292
Overdraft and trade facility	(1,432)	(1,397)
Cash and cash equivalents	(147)	(105)

Interest bearing liabilities comprise an invoice financing facility provided by the Groups third party financier and fixed term commercial loans provided by the Groups shareholders together with hire purchase facilities..

There were four fixed term commercial loans. The first loan, with an outstanding balance of \$0.25m at 31 December 2013, is due for repayment May 2014. The second loan for \$0.1m is due for repayment June 2014. The third loan for \$0.1m is due for repayment September 2014 and the fourth loan for \$0.1m is due for repayment February 2015. All loans may be extended for, up to a further 12-month period, subject to mutual consent.

The Group reports cash flows back to cash and cash equivalents as noted in the table above, by subtracting the invoice financing facility from actual cash held by the GGroup at reporting date.

Compumedics Limited
Notes to the consolidated financial statements
for the half-year ended 31 December 2013

Note 6. Commitments

The Group successfully negotiated with its landlord to extend the current lease relating to the premises it occupies in Melbourne by a further 2 years from current lease term. As a consequence the Company has committed to leasing its current premises through to September 2016. The lease commitments payable under the new lease are as follows:

Approximate lease commitments due within one year are \$422k
Approximate lease commitments due greater than one year are \$750k

Note 7. Events occurring after reporting date

There are no matters subsequent to half-year end that would materially impact the financial information provided.

Compumedics Limited
Directors' Declaration
for the half-year ended 31 December 2013

In accordance with a resolution of the Directors of Compumedics Limited I state that:

In the opinion of the directors':

(a) the financial statements and notes set out on pages 9 to 22 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Compumedics Limited will be able to pay its debts as and when they become due and payable.

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



David Burton
Executive Chairman

Melbourne
26th February 2014



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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF COMPUMEDICS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Compumedics Limited and Controlled Entities ("the consolidated entity") which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Compumedics Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of Compumedics Limited.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Compumedics Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Hayes Knight Audit

Hayes Knight Audit Pty Ltd
Melbourne



Geoff S. Parker
Director

Dated this *26* day of *FEBRUARY* 2014

Compumedics Limited

Supplementary Appendix 4D information for the half-year ended 31 December 2013

Additional dividend/distribution information² *(Appendix 4D item 5)*

Details of dividends/distributions declared or paid during or subsequent to the year ended 31 December 2012 are as follows:

Record date	Payment date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
N/A	N/A	N/A	N/A	N/A	N/A	N/A

Dividend/distribution reinvestment plans *(Appendix 4D item 6)* **NOT APPLICABLE**

Material factors affecting the revenues and expenses of the economic entity for the current period

The major impacts to the revenues and expenses of the economic entity in the half-year to 31 December 2013 have already been disclosed elsewhere in this document.

Material factors affecting the assets, liabilities and equity of the economic entity for the current period

The major factors impacting the assets and liabilities of the Company relate to the on-going focus of the Company on enhancing its financial performance. In this half year period as noted the movement in the Australian dollar to the US dollar and the Euro has also impacted the assets and liabilities of the Company.

Material factors affecting the cash flows of the economic entity for the current period

The major factors impacting the cash flows of the Company relate to the on-going focus of the Company on enhancing its financial performance. In this half year period as noted the movement in the Australian dollar to the US dollar and the Euro has also impacted the assets and liabilities of the Company.