

COMPUMEDICS LIMITED

(ACN 006 854 897)

ASX final report – 30 June 2021

Lodged with the ASX under Listing Rule 4.3A

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			\$'000
Revenue from ordinary activities <i>(Appendix 4E item 2.1)</i>	Up 1.9% or \$671k	to	\$35,740
Profit/(Loss) before interest, tax, depreciation and amortisation	Up \$7,982k	to	\$2,563
Profit/(Loss) from ordinary activities after tax attributable to members <i>(Appendix 4E item 2.2)</i>	Up \$6,836k	to	\$998
Profit/(Loss) for the period attributable to members <i>(Appendix 4E item 2.3)</i>	Up \$6,836k	to	\$998

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

Record date for determining entitlements to the dividend n/a

(Appendix 4E item 2.5)

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

Group revenues at \$35.7m for the year ended 30 June 2021 were 2% higher than the prior corresponding period (pcp). On a constant-currency basis revenues increased 9% over the pcp. The increase in revenues, on both bases, reflects a pick-up in business across Europe, which includes our Germany-based DWL business, which was up 6% compared to the pcp. The gains in Europe were partially off-set by declines in Asia, including China and Japan, with both countries continuing to be impacted by the COVID-19 pandemic.

With that said, our China-based revenues returned to pre COVID-19 pandemic levels for our DWL and brain research (Neuroscan) product lines. This was offset by on-going softness in our sleep diagnostic and neuro diagnostic and monitoring product lines resulting in an overall decline in sales by 4% for China in FY21, compared to the pcp. We anticipate our China-based markets will remain challenging.

Our Japan-based neurological business declined 26% over the pcp from \$1.5m to \$1.1m, due to the on-going issues with the COVID-19 pandemic there. The Company anticipates this business will return to growth over future periods.

Sales in the Australian business finished in line with the pcp at about \$4.7m.

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

Sales in the USA-based business whilst 4% lower than the pcp, largely a result of softness in the brain research (Neuroscan) business, showed increased momentum over the end of FY21 as the US embraced vaccinations and returned to some form of normalcy. We anticipate this momentum and increased selling activity to continue in FY22.

The Company booked new sales orders for the year ended 30th June 2021 of \$35.2m, which was in line with the pcp. On a constant currency basis sales orders taken improved 4% over the pcp. The geographic split of new sales orders taken in FY21 largely mirrors the commentary above on sales revenues booked for FY21.

The Company finished the year with sales-orders on-hand of approximately \$6.5m, which compared with \$7.7m at the same time last year.

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

Reported EBITDA for the year ended 30 June 2021 improved to \$2.6m, compared to the EBITDA loss in the pcp of \$5.4m. The loss for the pcp included a non-cash adjustment of \$7.7m to the carrying value of the Company's intangible assets. On an underly basis, excluding the impairment charge, EBITDA was higher at \$2.6m for the year ended 30th June 2021, compared to \$2.3m for the pcp.

The underlying EBITDA result for the year ended 30th June 2021 was primarily impacted by a non-cash foreign exchange charge of \$0.8m, which resulted from the appreciation of the Australian dollar against the US dollar in FY21, compared to FY20. The average AUD/USD exchange rate for FY20 was 0.67 compared to 0.75 in FY21. As the Company carries a net USD exposure this resulted in an adverse impact to the EBITDA result for the financial year.

Margins have improved to 54% for the year ended 30 June 2021, compared to 51% in pcp. The increase in margins reflects the improved volume of sales. As the Company has moved through the year and the ongoing COVID-19 pandemic we have continued to focus on efficiency and effectivity gains and improved margins as a result. The Company will continue to focus on on-going efficiency gains by continuing to selectively review manufacturing processes and minimising double handling of product globally together with new products being engineered at a lower target cost.

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

The EBITDA result also reflects on-going investment related to the MEG business and to a suite of next generation products for the core business, which will start to generate incremental revenues and margin over the course of FY22. The Company will continue to assess other operational efficiency gains, which can be implemented and locked in over the foreseeable future. These additional gains, once implemented, will have a positive impact on margins and EBITDA into FY22.

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

The profit from ordinary activities after tax for the year ended 30 June 2021, was a profit of \$1.0m compared to a loss of \$5.8m for the prior year.

The Company booked financing charges of \$0.3m, a decrease on the \$0.4m from the prior year. Depreciation and amortisation was \$1.5m for FY21, compared to \$1.7m in the pcp. The income tax benefit for FY21 was \$0.2m compared to \$1.7m in FY20. FY20 reflected an initial take up of a tax asset, due to timing differences.

Apart from these charges the above explanation for the EBITDA result for the year ended 30 June 2021 reflects the underlying operational impacts on earnings for the full year over the prior year.

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

No dividends have been declared or paid in the period.

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

	2021	2020
Net tangible asset backing per ordinary share (Includes right-of-use assets)	9.7 cents	10.3 cents

Compumedics Limited
Consolidated statement of profit or loss and other
comprehensive income
for the year ended 30 June 2021

Notes	2021 \$'000	2020 \$'000
Revenue from continuing operations	35,740	35,069
Other income	1,514	1,265
Cost of sales	(16,578)	(17,057)
Administration	(6,116)	(5,927)
Sales & Marketing	(8,260)	(8,998)
Research & Development	(4,388)	(3,843)
Impairment of Intangible Assets	7	-
Finance costs	(330)	(420)
Net foreign exchange gain/(loss)	(806)	69
Profit/(Loss) before income tax	776	(7,503)
Income tax (expense)/benefit	222	1,665
Profit/(Loss) for the full year	998	(5,838)
Profit/(Loss) attributable to members of Compumedics Limited	998	(5,838)
Net Profit/(Loss) for the year	998	(5,838)
Other comprehensive income / (loss)		
Items that may be subsequently reclassified to Profit or Loss when specific conditions are met:		
Foreign currency translation	(637)	437
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	361	(5,401)
Earnings/(Losses) per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents):		
Basic earnings/(losses) per share	0.6	(3.3)
Diluted earnings/(losses) per share	0.6	(3.3)

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

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Compumedics Limited
Consolidated statement of financial position
as at 30 June 2021

Notes	2021 \$'000	2020 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	6,770	6,412
Receivables	13,011	12,596
Inventories	9,679	8,831
Income tax receivable	2	-
Other	2,472	1,047
Total current assets	31,934	28,886
Non-current assets		
Property, plant, and equipment	955	1,465
Right-of-use assets	6 756	1,618
Deferred tax assets	821	781
Intangible assets	4,080	2,777
Total non-current assets	6,612	6,641
Total assets	38,546	35,527
LIABILITIES		
Current liabilities		
Payables	5,385	3,832
Borrowings	4,408	3,051
Lease liabilities	6 663	902
Provisions	3,149	2,828
Income tax payable	-	106
Deferred revenue	1,749	1,717
Total current liabilities	15,354	12,436
Non-current liabilities		
Borrowings	593	11
Lease liabilities	6 156	835
Provisions	16	31
Deferred revenues	272	420
Total non-current liabilities	1,037	1,297
Total liabilities	16,391	13,733
Net assets	22,155	21,794
EQUITY		
Contributed equity	35,654	35,654
Reserves	(473)	164
Retained losses	(13,026)	(14,024)
Total equity	22,155	21,794

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

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Compumedics Limited
Consolidated statement of changes in equity
for the full year ended 30 June 2021

	Contributed equity \$'000	Reserves \$'000	Retained Losses \$'000	Total \$'000
At 1 July 2019	35,654	(273)	(8,064)	27,317
Restatement due to the adoption of AASB16			(122)	(122)
At 1 July 2019 – restated	35,654	(273)	(8,186)	27,195
Loss for the year	-	-	(5,838)	(5,838)
Other comprehensive income / (loss)	-	437	-	437
Total comprehensive income/(loss) for the year	-	437	(5,838)	(5,401)
Transactions with owners in their capacity as owners:				
New shares issued	-	-	-	-
Balance at 30 June 2020	35,654	164	(14,024)	21,794
Balance at 1 July 2020	35,654	164	(14,024)	21,794
Profit/(Loss) for the year	-	-	998	998
Other comprehensive income / (loss)	-	(637)	-	(637)
Total comprehensive income/(loss) for the year	-	(637)	998	361
Transactions with owners in their capacity as owners:				
New shares issued	-	-	-	-
Balance at 30 June 2021	35,654	(473)	(13,026)	22,155

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

Compumedics Limited
Consolidated statement of cashflows
for the year ended 30 June 2021

Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	33,488	39,214
Payments to suppliers and employees (inclusive of goods and services tax)	(33,069)	(34,702)
Interest and other costs of finance paid	(320)	(394)
Income tax paid	-	-
Receipts from grants and other income	1,514	1,265
Net cash inflow from operating activities	5	5,383
Cash flows from investing activities		
Payment for property, plant and equipment	(163)	(404)
Payment for intangible assets	(1,680)	(3,829)
Net cash (outflow) from investing activities	(1,843)	(4,233)
Cashflows from financing activities		
Proceeds from borrowings	797	3,075
Repayment of borrowings	(58)	(1,582)
Repayment of leases	(918)	(1,045)
Proceeds from equity	-	-
Net cash inflow/ (outflow) from financing activities	(179)	448
Net increase/(decrease) in cash and cash equivalents	(409)	1,598
Cash and cash equivalents at the beginning of the year	6,015	4,371
Effects of exchange rate changes on cash	(464)	46
Cash and cash equivalents at the end of the financial year	5,142	6,015
This is represented by:		
Cash Assets	6,770	6,412
Invoice facility and overdraft (Interest bearing liabilities)	(1,628)	(397)
Net Cash	5,142	6,015

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

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 1. Summary of significant accounting policies

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

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

Basis of preparation of consolidated financial report

This preliminary consolidated financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This preliminary consolidated financial report for the year ended 30 June 2021 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 2020 and any public announcements made by Compumedics Limited during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Stock Exchange Listing Rules.

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates

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

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

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 2. Operating segments

Identification of reportable segments

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

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

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

Geographic locations

Americas

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

Australia and Asia Pacific

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

Europe and the Middle East

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

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Note 2. Operating segments (continued)

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

The following table represents revenue and profit information for reportable segments for the years ended 30 June 2021 and 30 June 2020.

Operating Segments
For the year ended 30 June 2021

\$'000	Americas	Australia and Asia Pacific	Europe and Middle East	Group
Sales to external customers	10,400	14,085	11,255	35,740
Intersegment sales	350	4,831	538	5,719
Other Intersegment Revenue	499	8	1,568	2,075
Total segment revenue	11,249	18,924	13,361	43,534
Inter-segment elimination	(849)	(4,839)	(2,106)	(7,794)
Total revenue per the Statement of Comprehensive Income	10,400	14,085	11,255	35,740
Segment result	118	56	2,389	2,563
Depreciation and amortisation	(280)	(675)	(502)	(1,457)
Net Interest (expense) / income	(61)	(200)	(69)	(330)
Net profit / (loss) before income tax per the Statement of Comprehensive Income	(223)	(819)	1,818	776
Segment assets				
Operating assets	8,460	53,445	8,084	69,989
Intersegment eliminations	-	(31,443)	-	(31,443)
Total assets from continuing operations per the Statement of Financial Position	8,460	22,002	8,084	38,546

Compumedics Limited
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Note 2. Operating segments (continued)

Operating Segments
For the year ended 30 June 2020

\$'000	Americas	Australia and Asia Pacific	Europe and Middle East	Group
Sales to external customers	12,581	14,972	7,516	35,069
Intersegment sales	575	3,945	976	5,496
Other Intersegment Revenue	257	8	1,535	1,800
Total segment revenue	13,413	18,925	10,027	42,365
Inter-segment elimination	(832)	(3,953)	(2,511)	(7,296)
Total revenue per the Statement of Comprehensive Income	12,581	14,972	7,516	35,069
Segment result	726	(5,825)	(320)	(5,419)
Depreciation and amortisation	(214)	(1,150)	(300)	(1,664)
Net Interest (expense) / income	(76)	(271)	(73)	(420)
Net profit / (loss) before income tax per the Statement of Comprehensive Income	436	(7,246)	(693)	(7,503)
Segment assets				
Operating assets	9,291	59,773	5,222	74,286
Intersegment eliminations	-	(38,759)	-	(38,759)
Total assets from continuing operations per the Statement of Financial Position	9,291	21,014	5,222	35,527

Note 3. Dividends (Appendix 4E, item 7)

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

Dividend/distribution reinvestment plans (Appendix 4E item 8)

Not applicable.

Compumedics Limited
Notes to the consolidated financial statements
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Note 4. Events occurring after reporting date

In the financial year ended 30 June 2020 the Company's wholly owned USA subsidiary, Compumedics USA, Inc., became eligible for and received a loan under the USA Government's CARES ACT PPP Loan arrangement.

The loan amount was for USD637k (AUD848k in current borrowings on 30 June 2021) and was to be forgiven on the basis Compumedics USA, Inc met specific requirements of the loan arrangement.

Those requirements were met, and the loan was forgiven in July 2021. As such Compumedics USA, Inc. will remove the loan from its balance sheet in the six months to 31 December 2021 and declare the amount as other income in the same period. Compumedics USA, Inc and as a result Compumedics Limited have already recorded the funds in reported cash balances at 30 June 2020 and 30 June 2021.

Apart from the matter above, the company is not aware of any material matters that would impact the financial performance and financial position of the company at this time.

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

	2021	2020
	\$'000	\$'000
Profit/(Loss) for the year	998	(5,838)
Non-cash flows in profit:		
Amortisation	909	1,069
Impairment of Intangible Asset	-	7,661
Depreciation	548	595
Net exchange differences	251	353
Change in operating assets and liabilities:		
(Increase)/Decrease in receivables	(415)	3,384
(Increase)/Decrease in income tax receivable	(2)	-
(Increase)/Decrease in inventories	(847)	(1,033)
(Increase)/Decrease in other current assets	(1,425)	790
(Increase)/Decrease in deferred tax assets	(41)	(781)
Increase/(Decrease) in payables	1,553	(554)
Increase/(Decrease) in deferred revenues	(117)	644
Increase/(Decrease) in income tax payable	(106)	95
Increase/(Decrease) in deferred tax liabilities	-	(997)
Increase/(Decrease) in other provisions	307	(5)
Net cash inflow from operating activities	1,613	5,383

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Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 6. Lease Liabilities and Right-of-use Assets

The Group has lease liabilities relating primarily to the offices it runs the business from in Melbourne, Charlotte, Singen, Hamburg and El Paso. Additional lease liabilities included below relate to cars and office equipment in the DWL business in Germany. The total lease liabilities are:

Current lease liabilities are \$663k.

Non-current lease liabilities are \$156k.

Approximately 90% of the lease liabilities that are non-current relate to the properties the business operates from. The underlying contracts for these properties have expiry dates from late 2021 through 2023.

The right-of-use asset related to these leases had a value of \$756k on 30 June 2021. In the year ended 30 June 2021 an amortisation charge against this asset was booked to the profit and loss of \$818k. An interest charge of \$103k was also booked to the profit and loss in relation to the lease liabilities for the twelve-month period to June 30, 2021.

Note 7. Impairment of Intangible Assets in the prior year ended 30 June 2020

Compumedics' statutory EBITDA result for the prior year ended 30 June 2020 was impacted by a non-cash \$7.7m write down of the value of the Company's intangible assets. Compumedics intangible assets had a carrying value of \$9.7m at 31 December 2019. These intangible assets relate primarily to the capitalisation of expenses associated with both the Somfit and MEG technologies. The expenses were predominantly research and development costs associated with the two technology/product platforms and associated costs of getting the products ready for commercialisation.

The intent was to amortise these costs over the useful life of the products once they were selling in commercial and consistent quantities. As such, Compumedics is continuing to actively pursue ongoing commercial opportunities for both the MEG and Somfit technology platforms and believes the Company will generate significant commercial returns from both these technology platforms in the future, having already sold the first MEG system.

With that said, the COVID-19 pandemic had created significant uncertainty over the timing of those commercial activities and when they may develop sufficiently to justify the carrying value of the intangible assets at 30 June 2020. As such the Company had reviewed the carrying value of the intangible assets in relation to the MEG and Somfit technology and, at that time, reduced the value of the intangible assets to \$2.6m for these two opportunities. As a result, there was a one-off, non-cash charge of \$7.7m to earnings in the year ended 30 June 2020.

Compumedics Limited
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Note 7. Impairment of Intangible Assets in the prior year ended 30 June 2020 (continued)

The Company did carry forward an intangible asset of \$0.2m on 30 June 2020, related to technology in the DWL business and \$0.2m of development costs related to the new products in the core business.

Whilst the COVID-19 pandemic may have, at that time, created some uncertainty as to the timing of the future commercial benefits of these two technology platforms, the Company fundamentally believed and has actively continued to develop its MEG and Somfit technology platforms to capture the significant commercial returns it believes they will generate for the Company and its shareholders.

These include pursuing the next MEG sale, whilst finalising the existing MEG sale and continuing to develop other market opportunities for MEG. The MEG market opportunity in the US, Europe and Asia remains significant and the Company is well placed to capture new and growing sales as the pandemic retreats.

As it relates to the Somfit, the Company is continuing to pursue its primary goal for the device being sleep and other neurological applications in the larger consumer monitoring markets and more recently the potential application of the Somfit device as multi-modal vital signs monitor for potential COVID-19 application. The Company has responded quickly to both State and Federal Government initiatives that could see the Somfit device utilised as part of an ongoing COVID-19 monitoring program.

Compumedics Limited
Supplementary Appendix 4E information
for the year ended 30 June 2021

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

	2021	2020
Net tangible asset backing per ordinary share (Includes right-of-use assets)	9.7 cents	10.3 cents

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

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

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

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

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

Earnings per share

Earnings per share have increased with the underlying increase in earnings for the Company, as already discussed.

Returns to shareholders

As per earnings per share commentary.

Significant features of operating performance

Comments already noted.

Results of segments

Primary Segments:

The primary business sectors reflect the main geographical markets the business operates in. As already discussed, the Australian and Germany-based DWL businesses increased compared to the pcp. The Asia-based business, incorporating China, decreased over the pcp, as well as the US business.

Trends in performance

The primary focus of the Company will be to ensure growth in its key markets for its core business to grow revenues and underlying profitability, as conditions following the COVID-19 pandemic allow.

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

All material matters have been discussed including the impairment of the intangible assets in Note 7.

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.