

COMPUMEDICS LIMITED

(ACN 006 854 897)

ASX final report – 30 June 2023

Lodged with the ASX under Listing Rule 4.3A

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Compumedics Limited
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Results for Announcement to the Market

| | | | \$'000 |
|-------------------------------------------------------------------------------------------------------------------|--------------------------|----|------------------|
| Revenue from ordinary activities (Appendix 4E item 2.1) | Up 12% or \$4,652k | to | \$42,408 |
| Profit / (Loss) before interest, tax, depreciation and amortisation | Down \$8,417k | to | \$(6,719) |
| Profit / (Loss) from ordinary activities after tax attributable to members (Appendix 4E item 2.2) | Down \$7,479k | to | \$(6,122) |
| Profit / (Loss) for the period attributable to members (Appendix 4E item 2.3) | Down \$7,479k | to | \$(6,122) |

| Dividends / distributions (Appendix 4E item 2.4) | 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 \$42.4m for the year ended 30 June 2023 were 12% higher than the prior corresponding period (pcp). The increase in revenues reflects growth in Australia (up 23%) and Asia with both China (up 32%) and Japan (up 55%) performing well. This was offset by declines in Europe (down 27%), DWL (down 4%) and a neutral result in USA (up 2%), which was disappointing given the focus there in FY23.

The gains in Australia were driven by a strong result in neurology, with the new Okti device and a rapidly improving sleep business. The gains in Asia were driven by an increase in neurology sales to Japan and a strong performance by the Neuroscan (brain research) product line into China. In Europe the strong sales performance in France in FY22 was not repeated in FY23 and sales into Germany were also less this year compared to FY22 for both sleep and neurology products.

The USA business was disappointing in both sleep diagnostic sales and more so in neurology-based sales but was offset by gains in the Neuroscan (brain research) product line and also supplies and customer service.

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

The Company booked \$42.4m in new sales orders through FY23, which was 2% higher than the \$41.5m in new sales orders taken at the same time last year, excluding the \$4.1m MEG order received in H1 FY22. The increase is mainly driven by better sales in Asia and Australia with shortfall in Europe and the US not lifting as expected given the increased resources there.

With carry-forward sales orders from last year of \$15.8m, total orders taken and on hand were \$58.1m at the end of FY23 of which \$16.8m remained on hand for shipping in future periods.

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

EBITDA for FY23 was a loss of \$2.0m, compared to a profit of \$2.8m for FY22.

The Company returned to profitability in H2 FY23 recording an EBITDA profit of \$2.8m. The decrease in profitability in FY23 was largely a result of the following key factors, which were primarily booked in H1 FY23:

- 1 The write down and full provisioning for assets relating to the MEG business. The decision to expense these items to the income statement for the period was due to the decision to take back the MEG system at BNI. The total pre-tax expense was \$6.9m at H1 FY23, which is non-cash and was reduced to \$5.1m for FY23, due to the likelihood of shipping the MEG system to TJNU. \$2.0m of the MEG adjustments are booked to sales and marketing expense and the balance to impairment of assets.
- 2 Other income being lower in H1 FY23 (\$0.2m) compared to H1 FY22 (\$1.4m). This was primarily due to the forgiveness of the COVID debt (\$0.9m) in the US business in H1 FY22, which was once-off.
- 3 Expenses were higher (\$2.0m) because of the Company's deliberate decision to increase sales and marketing resources, particularly in the US as we continue to prepare for the release of several new products in this key market over FY24.
- 4 Increased expenses (\$0.9m) were incurred as the new products are readied for sale across all key markets in Australia, Europe, and the USA. These costs include tooling, prototypes, clinical trials etc.

The Company remains committed to its strategic growth plans, whilst at the same time improving productivity and efficiency throughout the business to continue to generate consistent and growing profits.

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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 2023, was a loss of \$6.1m compared to \$1.4m profit for the prior year.

The Company booked financing charges of \$0.6m, an increase on the \$0.4m from the prior year. This was due to the increase in interest rates over the course of FY23.

Apart from these charges the above explanation for the EBITDA result for the year ended 30 June 2023 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)*

| | 2023 | 2022 |
|------------------------------------------------------------------------------|-----------|-----------|
| Net tangible asset backing per ordinary share (Includes right-of-use assets) | 6.8 cents | 9.7 cents |

Compumedics Limited
Consolidated statement of profit or loss and other
comprehensive income
for the year ended 30 June 2023

| Notes | 2023 \$'000 | 2022 \$'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Revenue from continuing operations | 42,408 | 37,756 |
| Other income | 515 | 1,788 |
| Cost of sales | (20,818) | (18,463) |
| Administration | (6,412) | (5,644) |
| Sales & marketing | (13,251) | (9,483) |
| Research & development | (5,461) | (4,056) |
| Impairment of assets | (3,088) | - |
| Finance costs | (652) | (401) |
| Net foreign exchange gain/(loss) | 40 | 174 |
| Profit / (Loss) before income tax | (6,719) | 1,698 |
| Income tax (expense)/benefit | 597 | (341) |
| Profit / (Loss) for the full year | (6,122) | 1,357 |
| Profit / (Loss) attributable to members of Compumedics Limited | (6,122) | 1,357 |
| Net Profit / (Loss) for the year | (6,122) | 1,357 |
| Other comprehensive income / (loss) | | |
| Items that may be subsequently reclassified to Profit or Loss when specific conditions are met: | | |
| Foreign currency translation | 822 | 79 |
| TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR | (5,300) | 1,436 |
| Earnings / (loss) per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents): | | |
| Basic earnings / (loss) per share | (0.4) | 0.8 |
| Diluted earnings / (loss) per share | (0.4) | 0.8 |

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

Compumedics Limited
Consolidated statement of financial position
as at 30 June 2023

| | Notes | 2023 \$'000 | 2022 \$'000 |
|--------------------------------------|-------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 3,797 | 7,294 |
| Trade and other receivables | | 12,532 | 14,125 |
| Inventories | | 10,690 | 9,709 |
| Income tax receivable | | 74 | 74 |
| Other | | 2,426 | 2,345 |
| Total current assets | | 29,519 | 33,547 |
| Non-current assets | | | |
| Financial Asset | | 703 | - |
| Property, plant, and equipment | | 1,581 | 1,067 |
| Right-of-use assets | 6 | 2,037 | 146 |
| Deferred tax assets | | 1,100 | 500 |
| Intangible assets | | 6,242 | 6,449 |
| Non-current assets | | 11,663 | 8,162 |
| Total assets | | 41,182 | 41,709 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 6,325 | 5,940 |
| Borrowings | | 7,225 | 6,016 |
| Lease liabilities | 6 | 681 | 153 |
| Provisions | | 4,177 | 3,508 |
| Tax liabilities | | 87 | - |
| Deferred revenue | | 2,693 | 1,923 |
| Total current liabilities | | 21,188 | 17,540 |
| Non-current liabilities | | | |
| Borrowings | | 205 | 379 |
| Lease liabilities | 6 | 1,355 | - |
| Provisions | | 67 | 54 |
| Deferred revenues | | 76 | 145 |
| Total non-current liabilities | | 1,703 | 578 |
| Total liabilities | | 22,891 | 18,118 |
| Net assets | | 18,291 | 23,591 |
| EQUITY | | | |
| Contributed equity | | 35,654 | 35,654 |
| Reserves | | 428 | (394) |
| Accumulated losses | | (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.

Compumedics Limited
Consolidated statement of changes in equity
for the full year ended 30 June 2023

| | Contributed equity \$'000 | Reserves \$'000 | Retained 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 / (loss) | - | 79 | - | 79 |
| Total comprehensive income / (loss) for the year | - | 79 | 1,357 | 1,436 |
| Transactions with owners in their capacity as owners: | | | | |
| New shares issued | - | - | - | - |
| Balance at 30 June 2022 | 35,654 | (394) | (11,669) | 23,591 |
| Balance at 1 July 2022 | 35,654 | (394) | (11,669) | 23,591 |
| Profit / (loss) for the year | - | - | (6,122) | (6,122) |
| Other comprehensive income / (loss) | - | 822 | - | 822 |
| Total comprehensive income / (loss) for the year | - | 428 | (6,122) | (5,300) |
| Transactions with owners in their capacity as owners: | | | | |
| New shares issued | - | - | - | - |
| Balance 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.

Compumedics Limited
Consolidated statement of cashflows
for the year ended 30 June 2023

| | Notes | 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) | | (45,232) | (33,761) |
| Interest and other costs of finance paid | | (644) | (401) |
| Receipts from grants and other income | | 515 | 912 |
| Net cash inflow from operating activities | 5 | 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) |
| Cashflows from financing activities | | | |
| Proceeds from borrowings | | 450 | 4,831 |
| Repayment of borrowings | | (860) | (2,550) |
| Repayment of leases | | (595) | (666) |
| Net cash inflow / (outflow) 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 year | | 7,294 | 5,141 |
| Effects of exchange rate changes on cash | | 370 | 236 |
| Cash and cash equivalents at the end of the financial year | | 2,300 | 7,294 |
| This is represented by: | | | |
| Cash assets | | 3,797 | 7,294 |
| Invoice facility and overdraft (Interest bearing liabilities) | | (1,497) | - |
| Net Cash | | 2,300 | 7,294 |

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 2023

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 2023 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 2022 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 2023

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.

Compumedics Limited
Notes to the consolidated financial statements
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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 2023 and 30 June 2022.

Operating Segments
For the year ended 30 June 2023

| \$'000 | Americas | Australia and Asia Pacific | Europe and Middle East | Group |
|------------------------------------------------------------------------------------------------|-----------------|-------------------------------------------|-------------------------------------------|----------------|
| 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 per the Statement of Comprehensive Income | 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) / income | | | | (652) |
| Net profit / (loss) before income tax per the Statement of Comprehensive Income | | | | (6,719) |
| Segment assets | | | | |
| Operating assets | 5,932 | 63,502 | 17,917 | 87,351 |
| Intersegment eliminations | - | (46,169) | - | (46,169) |
| Total assets from continuing operations per the Statement of Financial Position | 5,932 | 17,333 | 17,917 | 41,182 |

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2023

Note 2. Operating segments (continued)

Operating Segments
For the year ended 30 June 2022

| \$'000 | Americas | Australia and Asia Pacific | Europe and Middle East | Group |
|------------------------------------------------------------------------------------------------|-----------------|-------------------------------------------|-------------------------------------------|---------------|
| 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 per the Statement of Comprehensive Income | 11,457 | 14,198 | 12,101 | 37,756 |
| Segment result | 278 | 867 | 2,143 | 3,288 |
| Depreciation and amortisation | | | | (1,189) |
| Net interest (expense) / income | | | | (401) |
| Net profit / (loss) before income tax per the Statement of Comprehensive Income | | | | 1,698 |
| Segment assets | | | | |
| Operating assets | 8,615 | 59,573 | 10,738 | 78,926 |
| Intersegment eliminations | - | (37,217) | - | (37,217) |
| Total assets from continuing operations per the Statement of Financial Position | 8,615 | 22,356 | 10,738 | 41,709 |

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
for the year ended 30 June 2023

Note 4. Events occurring after reporting date

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 / (loss) after income tax to net cash flows from operating activities

| | 2023 \$'000 | 2022 \$'000 |
|----------------------------------------------------|------------------------------|------------------------------|
| Profit / (loss) for the year | (6,122) | 1,357 |
| Non-cash flows in profit: | | |
| 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 income tax receivable | - | (72) |
| (Increase) / Decrease in inventories | (981) | (30) |
| (Increase) / Decrease in deferred tax assets | (600) | 322 |
| Increase / (Decrease) in payables | 385 | 555 |
| Increase / (Decrease) in deferred revenues | 701 | 47 |
| Increase / (Decrease) in income tax payable | 86 | - |
| Increase / (Decrease) in other provisions | 683 | 396 |
| Net cash inflows from operating activities | 49 | 3,287 |

Compumedics Limited
Notes to the consolidated financial statements
for the year ended 30 June 2023

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 Deijon. 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 \$681k.

Non-current lease liabilities are \$1,355k.

Approximately 90% of the lease liabilities relate to the properties the business operates from. The underlying contracts for these properties have expiry dates from late 2023 through 2026.

The right-of-use asset related to these leases had a value of \$2,037k on 30 June 2023. In the year ended 30 June 2023 an amortisation charge against this asset was booked to the profit and loss of \$560k. An interest charge of \$111k was also booked to the profit and loss in relation to the lease liabilities for the twelve-month period to June 30, 2023.

Note 7. Impairment of Intangible Assets

Impairment of assets comprise capitalised development costs associated with the MEG project of \$1.7m and the license fee paid to KRISS of \$1.4m. The Company decided at December 31, 2022, that it was appropriate to expense development costs associated with the MEG business, which had been previously booked to intangible assets as well as the license fee. The reason this decision was taken is because the Company considers there to be sufficient uncertainty regarding future MEG revenues and earnings sufficient to justify the current carry value of the intangible assets. With that said, the Company does believe there is significant future opportunity with the MEG technology, once existing technical matters are fully resolved, which the Company is close to achieving. However as at 30 June 2023 the Company believes it is prudent to maintain the impairment charge booked at December 31, 2022.

Compumedics Limited
Supplementary Appendix 4E information
for the year ended 30 June 2023

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

| | 2023 | 2022 |
|------------------------------------------------------------------------------|-----------|-----------|
| Net tangible asset backing per ordinary share (Includes right-of-use assets) | 6.8 cents | 9.7 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.