ANNUAL REPORT 2015

COMPUMEDICS®

FINANCIAL SUMMARY

ALL FIGURES IN A$M UNLESS OTHERWISE STATED	**2015**	2014
Revenue for continuing operations	**33.5**	30.8
Earnings before interest, income tax, depreciation and amortisation (EBITDA)	**4.1**	3.0
Earnings before interest and income tax (EBIT)	**5.3**	1.6
Net operating profit after tax (NPAT)	**2.0**	0.9
Research and development costs as a percentage of operating revenue	**14.2**	16.7
Total assets	**21.7**	19.5
Shareholders funds	**11.3**	9.2
Net tangible assets per share (cents)	**5.1**	4.0
Weighted average number of shares (million)	**167**	167
Earnings per share (basic) (cents)	**1.2**	0.5
Earnings per share based on earnings before interest, tax, depreciation and amortisation (cents)	**2.5**	1.0

UNDERSTANDING THE NUMBERS

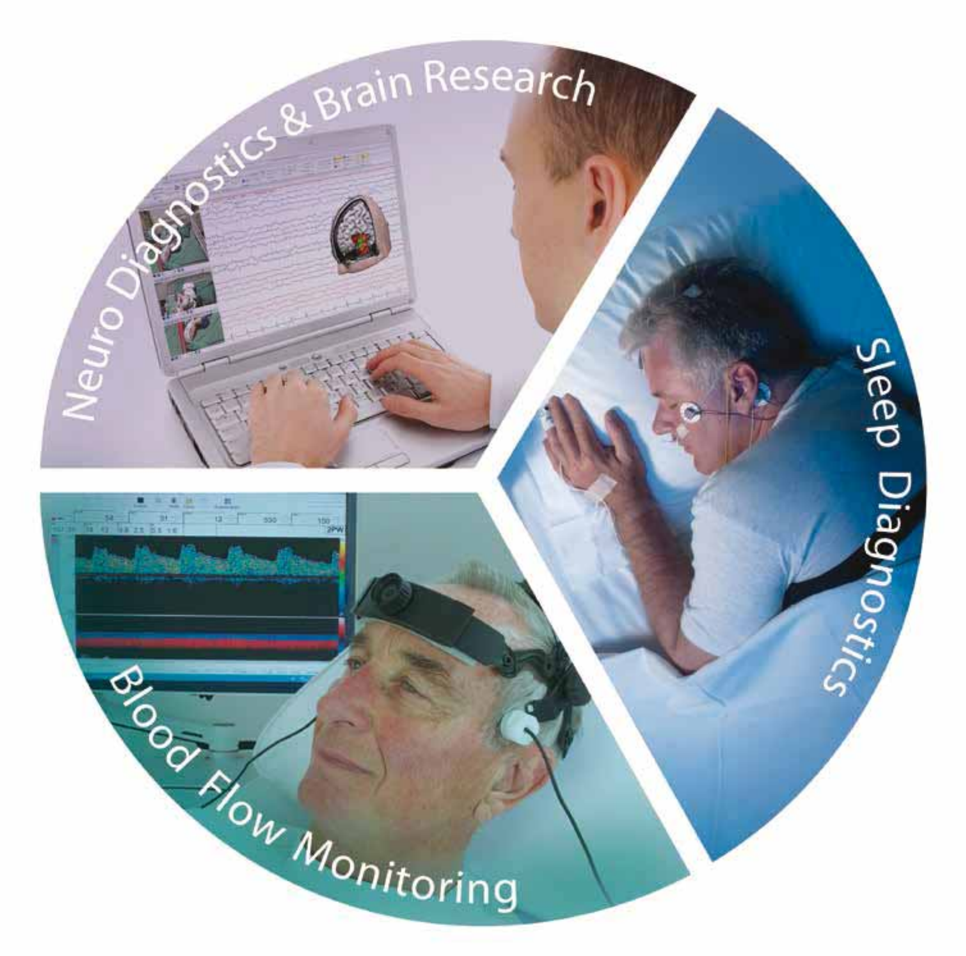
Revenues: Revenue was $33.5m compared to $30.8m over the previous corresponding period.

EBITDA: To $4.1m in the current financial year from $3.0m in the previous financial year.

PAT: The business made $2.0m this year compared to $0.9m last year.

Compumedics Limited
ABN 95 006 854 897

Annual General Meeting
Thursday, 29th October 2015
at 10.30am
To be held at: Compumedics Limited
30-40 Flockhart Street Abbotsford
Victoria 3067



Compumedics is a world leading supplier of medical technology for patient monitoring.

Since 1987, Compumedics' strategy has focused on developing its core competency – Sleep Diagnostics – which has enabled the company to become one of the leaders in this growing international healthcare market. Today Compumedics has evolved into one of the world's leading suppliers of medical technology for sleep and neuro diagnostics (including brain research) and ultrasonic blood flow monitoring. Compumedics' technologies and products are distributed to clients around the globe, helping millions of people who suffer from debilitating sleep, neurological and other healthcare problems. Each of these markets is multi-billion dollar in scope, at an early phase of evolution, with high growth expectations and Compumedics technology is uniquely positioned for imminent growth in each of these markets.

A focused strategy in action

For over 25 years, Compumedics' focus in Sleep and associated medical disorders has established a solid platform for growth.

Building a world-class medical technology company for patient monitoring.

1987

Compumedics established
Dr. David Burton founded Compumedics to design and manufacture medical electronics. Prior to Compumedics, analysis and diagnosis depended, in large part, upon manual recording methods, which were very time consuming and costly to implement. The sleep monitoring system developed by Compumedics comprises powerful computer-based hardware and sophisticated software programs which eliminate thousands of pages of paper readings and countless hours of work by technicians, freeing them for more productive work.

1988

Epworth installs first Sleep Disorders Unit
Compumedics' first sleep system was installed at the Epworth Hospital Sleep Disorders Unit (Melbourne, Victoria). TIME magazine and the television series 'Beyond 2000' both featured the Epworth sleep center.

Globally read TIME magazine cover and article brings the "Trouble with Sleep" to the world.

1991

S-Series – the first digital sleep system in Asia Pacific

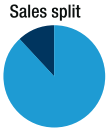
P-Series and S-Series released
Compumedics announced the release of the P-Series Portable Sleep Monitoring System with features including intelligent CPAP control.

Compumedics released its S-Series optical erasable disk storage sleep systems.

1993

Sales revenue
$1.7M

Sales split



- Domestic **$1.5m**
- Export **$0.2m**

1994

Used by NASA and SHHS.

NASA contracts won for International Space Station and Space Shuttle flight preparation
NASA chose Compumedics' P-Series Portable Sleep Monitoring System for the 1998 Neuro-mission Space Shuttle flight preparations.

Compumedics entered into co-operation with the US$5 billion dollar Japanese conglomerate, Teijin for the development of the Japanese sleep market.

Compumedics won the contract to supply medical hardware for the International Space Station's Human Research Facility (HRF) under contract to NASA.

1995

Chosen for world's largest sleep study
Compumedics won the competitive US Government-funded contract to supply the equipment for the world's largest sleep study (6000 patients). The five year Sleep Heart Health Study (SHHS) was won against a field of 22 competitors, including multinationals. Compumedics supplied 40 P-Series Sleep Monitoring Systems along with 9 replay and 6 analysis systems. The equipment selection committee was made up of sleep experts from 11 leading University Hospitals across the USA.

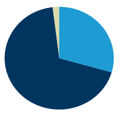
Compumedics was granted IEC 601-1 patient safety certification for its S-Series and P-Series products.

1997

P-Series products wins award and FDA approval
Compumedics' P-Series wins a Highly Commended Award at the Australian Engineering Excellence Awards.

Compumedics was awarded the 1997 Premier's Award for Technological Innovation in the Telstra & Victorian Government Small Business Awards.

Sales revenue
$5.4M



- Domestic **$1.6m**
- Export **$3.7m**
- Other **$0.1m**

1998-1999

Compumedics recognised
Compumedics was named Australian Exporter of the Year.

Compumedics was awarded the 1998 Governor of Victoria Award for Victorian Exporter of the Year.

Compumedics was awarded the 1998 AusIndustry Innovation Award.

Compumedics was awarded the 1998 Telstra Innovation Award.

Compumedics awarded
Compumedics was named Small Business of the Year at the Telstra and Australian Government Small Business Awards.

Compumedics was awarded the 1999 Business Asia Best Australian Small Medium Business Activity in Asia Award.

2000

Compumedics' ASX listing
Compumedics listed on the Australian Stock Exchange.

E-series EEG/ PSG system receives FDA clearance to market in the USA.

E-Series EEG/PSG system

2001

Compumedics won the 2001 Governor of Victoria Export Award for Small to Medium Manufacturer.

Compumedics won the AVCAL (Australian Venture Capital Association Limited) award for Best Early Stage Investment for 2000/2001.

Siesta 802™ – World leading wireless system for sleep and EEG - receives FDA clearance.

2002

Somté – "holter-style" recording for both cardiac and respiratory data

Somté receives European clearance
Somté receives CE mark for European Market

Compumedics' completes first acquisition – Neuroscan.

Sales revenue
$20.2M

2003

2004

Compumedics awarded
the Frost and Sullivan Award for Market Expansion Strategy

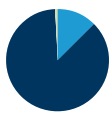
Compumedics acquires German based DWL Electronishe Systeme GmbH

FDA approval for Summit IP
Summit IP receives FDA clearance to market in the USA

FDA approval for SynAmps2
SynAmps2 receives FDA clearance to market in the USA

Sales revenue
$34.0M

Sales split

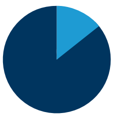


- Domestic **$4.3m**
- Export **$29.5m**
- Other **$0.2m**

2005

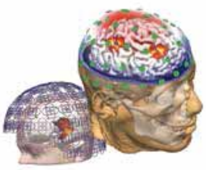
DWL division established for blood-flow Doppler technology.

Sales revenue Regional Split



Medigas Italia Srl (member of SIAD group of Companies, SIAD owned 34% by Praxair Inc.) takes strategic stake in Compumedics.

Compumedics DWL awarded membership to Germany's top 100 innovative companies.



CURRY 6 - Multi-modal Neuroimaging software is released.

Somnilink SPAP®

Somnilink SPAP receives CE and TGA clearance.

Grael receives FDA clearance.

Compumedics wins major Mannhiem University Medical Centre contract in Germany.

Compumedics recognised as one of Australia's top 100 Health Innovators through its world leading devices for sleep diagnostics.

The updated Somté PSG is released.

Updated Somté PSG™ - Full PSG absolutely anywhere.

SILVER JUBILEE
25 YEARS OF DIAGNOSTICS EXCELLENCE

Compumedics celebrates its 25 Year Silver Jubilee Anniversary.

Neuvo LTM, world's first 512 channel wall system is released to market - the Ultimate Long-term Monitoring System.

Grael-HD EEG - High-Definition EEG is released to market.

Grael-HD EEG

ehealth Business focus in Asia.

New contract signed with Bestmed (China) with potential revenue of US$5 million over the next three years growing to US$13.2 million within five years.

Company has now secured total contracts for its eHealth platform with potential incremental revenue of US$9.1 million over the next three years.

New products released -

Profusion Sleep4 - World class PSG diagnostic software.

Profusion EEG5 - World class EEG diagnostic software.

2006 2007 2008 2009 2011 2013 2015

Compumedics awarded the 2006 Frost & Sullivan Technology Leadership Award.

Compumedics and chairman inducted into the Victorian Manufacturing Hall of Fame.

Somté PSG is released - the simplest and most convenient way to meet requirements for recording full PSG, in both attended and unattended settings.

Profusion PSG3 is released - the next generation world class sleep diagnostics software.

Somté PSG & Profusion PSG3 receive CE mark

Somté PSG™ - Full PSG absolutely anywhere.

2010

Grael is released - Compumedics released the world's first High Definition and premier PSG/EEG, Grael

Grael wins Powerhouse Museum Award & finalist at the Australian International Design Award.

Grael PSG/EEG - World's first High Definition Amplifier.

Profusion EEG4 is released - The next generation world class clinical and LTM software package.

Compumedics introduces direct selling in Germany.

University Medical Centre in Freiburg chooses Neuvo LTM EEG ahead of all major competitors.

Somnilink SPAP debuts in Australia.

Compumedics DWL wins Innovation Grant.

Record profits

$2.7M

2012

CURRY SCAN **7 Neuroimaging Suite is released -** Compumedics Neuroscan releases it's combined acquisition and signal processing software.

Compumedics introduces direct selling in France.

Compumedics inaugural attendance at the China Medical Equipment Fair, Shenzhen.

Milestone EEG contract win to equip the new & internationally acclaimed Royal Children's Hospital Melbourne with Compumedics Neuvo LTM.

2014

Beijing Bestmed, Compumedics' China-based distributor invests $0.5, becoming a top 10 shareholder - this injection of funds contributes to Compumedics further growth in the China region.

Neuvo LTM 512 Channel EEG

New Patent Grant Underpins Growth Opportunities for Compumedics' DWL.
- New product development based on patent for system of detecting and treating blood vessel stenosis or occlusions.

$7.5 Million Sleep Diagnostic Systems Contract with Beijing Bestmed Accelerates Compumedics Strength in China.

Compumedics receives $600K order to fit out the neurology department at the new Perth Children's Hospital.
The new contract underpins core neurology business in Australia and confirms that Compumedics continues to be the preferred supplier of neurological devices to premier sites.

Chairman's address

Dear Compumedics investors, colleagues and business partners,

On behalf of the Board, management and the Compumedics team I am pleased to present to you the results contained within the 2015 Annual Report.

The 2015 financial year was important in terms of achieving strong financial outcomes as well as positioning the company for exciting advancements both across its core businesses and its next generation of growth platforms.

The June-end 2015 earnings before interest, tax, depreciation and amortisation (EBITDA) was $4.1 million (AUD; M) compared to $3.0M the prior financial year. These results stemmed from on-going efficiency programs spanning operational areas such as production and sourcing, coupled with revenue growth, more favourable foreign exchange conditions, and improved shipping for the year ended 30 June 2015. Net profit after tax (NPAT) more than doubled to $2.0M compared to $0.9M for the prior financial year. Additionally, and further underscoring the core business profitability, $1.2M was invested in next generation growth platforms (part of medical innovations) including eHealth sleep, which opens the way for significant upcoming realisation opportunities.

Revenues shipped and invoiced increased by 9% at $33.5M compared to $30.8M for the previous financial year, whilst sales orders taken, were up by 19% at $33.8M, compared to $28.3M for the previous financial year (FY).

Cash on hand improved substantially at $2.2M compared to $1.1M the prior financial year, and debt levels were stable during the period, at about $2.0M.

KEY PERFORMANCE ACHIEVEMENTS 2015 FY

TOTAL REVENUE
9%
UP IN FY15 AT $33.5M vs FY14 $30.8M

EBITDA
37%
UP IN FY15 AT $4.1M vs FY14 $3.0M

NET PROFIT AFTER TAX
122%
UP IN FY15 AT $2.0M vs FY14 $0.9M

SOUND FUNDAMENTALS

SALES ORDERS TAKEN
19%
UP IN FY15 AT $33.8M vs FY14 $28.3M

CASH ON HAND
100%
UP IN FY15 AT $2.2M vs FY14 $1.1M

MINIMAL DEBT
$2M
STABLE AND LIGHTLY GEARED

STRONG FINANCIAL POSITION

REVENUE
$33.5M
UP FROM $30.8M IN FY14

CORE BUSINESS* EBIT
$5.3M
STRONG CORE BUSINESS PROFITS

CORE BUSINESS* NET PROFIT AFTER TAX
$3.2M
STRONG CORE BUSINESS PROFITS

* Excludes Medical Innovation Strategic Investments ($1.2M)

OPERATIONS

Core business strengthened foundation

- Compumedics is now highly profitable and continues to grow with the benefits of earnings initiatives undertaken in recent years now starting to flow through.
- Further cost reduction initiatives for the assembly and manufacture of key products are yet to fully flow through to the bottom line, and are expected to positively impact FY16.

Earnings improvement activities

- Productivity enhancement programs to increase quality and drive down costs continue, including the outsourcing of non-key functions such as larger scale production.
- A streamlining of logistics including final product assembly, testing and shipment will continue to yield further efficiencies as the business grows.
- The completion of the new Grael product range, resulting from a major redesign and enhancement of all Compumedics neuro-diagnostic and polysomnography (PSG) systems, as outlined in the subsequent product development pipeline section.
- This upcoming range of products will drive further sales growth based on more competitive products for the lower and mid-tier market segments, whilst significantly boosting profit margins based on new enhanced top-tier products for the premium market.
- With the release of the first Grael versions in December 2015 and additional versions scheduled for release throughout 2016, Compumedics is ideally positioned to drive earnings growth as further detailed elsewhere in the geographical market expansion section.

PRODUCT DEVELOPMENT PIPELINE

- Significant research and development progress was achieved in all divisions with updated and new product designs refreshing sales pipelines across the Compumedics sleep, neuro-diagnostic, Neuroscan research, DWL (ultrasonic Doppler blood flow) and consumable product groups.

Compumedics Grael range of patient amplifiers

- The new range of Grael patient amplifiers have been designed to address a wider market spectrum. Based on Compumedics access to its well-established client installation base, coupled with new clients seeking higher performance or more cost effective sleep or neuro-diagnostic monitoring solutions, Compumedics is well-positioned for a major product roll-out and market expansion program.
- The new Grael product range will incorporate price competitive models enabling the Company to compete profitably and thereby facilitate significant expansion of the Company's addressable market.
- Additionally, premium Grael versions present the most advanced sleep and neuro-diagnostic monitoring systems available. In particular, the Grael amplifiers provide a unique combination of low-noise, high-bandwidth signal monitoring capabilities, seamlessly integrated with Compumedics Profusion application software and the Nexus medical data enterprise management systems. Moreover, Compumedics has the most accurate sleep, respiratory and brain analysis software suites, resulting from decades of stable algorithm evolvement and development.

DWL Ezi-Dop and Multi-Dop T Digital

- The 2015 FY was a year of progressive development for DWL's ultrasound Doppler blood-flow measurement business. Major new DWL releases included the EZ-Dop as well as the Multi-Dop T digital, which provides DWL's classic best of class signal and image quality integrated into a fully portable touch display universal laptop/table bedside system. Geographical market expansion into large established markets such as the USA, in conjunction with emergent markets such as China and India, continue to underscore DWL's ongoing growth trajectory.

Neuroscan CURRY and STIM

- Neuroscan's neurophysiological research business had a highly productive year with new releases of main products, including the CURRY software suite of advanced brain analysis applications, incorporating their world-renowned source localisation algorithms.

GEOGRAPHICAL MARKET EXPANSION

The 2015 FY was a year of progress for our export business with solid sales growth and the continual process of facilitating and expanding sustainable growth opportunities. ASX announcements relating to key 2015 FY export deals included an Export Finance and Insurance Corporation (EFIC) funding transaction (ASX:22Dec14), a major DWL contract with China Military hospitals (30Mch15), an $2.2.M China neuro-diagnostic distribution contract (ASX:21Apr15), a US1.0M contract with key USA opinion leaders (ASX:7May15), and an $7.5M China sleep diagnostics distribution contract (15Jun15).

USA Market Expansion

- ***Key growth opportunities include the USA***, the world's largest medical device market, where Compumedics has a highly competent team with well-established infrastructure and operations covering management, finance, sales, marketing, service and logistics, along with a specialized R&D and scientific group. The refreshed product pipe-lines across all business divisions, along with the upcoming major Grael product range providing an additional catalyst for Compumedics to grow its USA business. The Company is now actively seeking sales and support personnel with the goal of doubling the USA business in the short to medium term.

German Market Expansion

- ***In terms of major market development, an expansion plan for Germany***, which is Europe's leading medical device market, is now underway. The German market expansion plan is being spear-headed with a number of strategic collaborations, including distinguished Hospital/University centres, training and excellence in research and clinical practices. In addition, a new Compumedics German office is being established in order to provide the highest quality support and infrastructure, as a precursor to growing Compumedics German sleep, neuro-diagnostics and supplies business.

China Market Expansion

- ***Additional milestones include further expansion into the Chinese neuro-diagnostic market***. This initiative builds on Compumedics existing and well-established sleep and research neuro-diagnostic market presence in China.
- Compumedics has built a solid foundation and valuable partnerships in the lucrative but complex and challenging Chinese market.
- The Company will continue to build on its long-term relationships in China to grow the Company's businesses in the region. In particular, Compumedics has established a large number of distinguished Government, military, private, and general University and Hospital installations over a number of decades.
- Moreover, the Company is now poised to continue growth within this important strategic market with our comprehensive range of neuro-diagnostics, sleep devices, consumables, and even our next generation growth platforms, including eHealthMedics (professional) and eLifeMedics (consumer) on and offline services.

NEXT GENERATION GROWTH PLATFORM COMMERCIALISATION

- The Company is focused on a number of substantial opportunities based on next generation growth platforms applicable to DWL, Neuroscan brain imaging, and medical innovation projects such as eHealth, sleep treatment, and driver vigilance.
- During the 2015 FY strategic milestones with significant downstream value-realisation benefits included the granting of the new ***TCD auto-scan patent*** potentially enabling automated, objective neurological dysfunction measures such as those associated with traumatic brain injury (TBI) (ASX:14Apr15). Early diagnosis and subsequent intervention corresponding to TBI at the sports-field, war-zone or even every day ambulance or intensive care unit usage continues to be a widespread global need.
- Other important 2015 FY milestones included the execution of the second tranche of start-up ***eHealth sleep contracts*** bringing the high gross-profit incremental on and offline business revenues of this next generation growth platform to $13.0M.
- ***A strategic review in conjunction with specialist corporate advisors*** is now underway as Compumedics seeks to identify strategic partners and accelerate the realization of key next generation growth platform opportunities, including sleep eHealth, DWL's newly patented auto-scan and Neuroscan imaging systems.
- ***Compumedics continues to develop its eHealthMedics digital sleep services platform***, which incorporates web-enabled devices integrated with Cloud-based sleep applications and analytics, along with secure localized network options according to each countries regulatory requirements and internet controls.

- ***Compumedics eHealth sleep services platform is the next step for Compumedics growth***, by providing efficient solutions for some of the World's most important, and rapidly increasing health problems, spanning personalized health, covering sleep-disorders and sub-optimal medicine management. Approximately $13.0M of contracts have been executed thus far, but the next stage of development has commenced with corporate advisors seeking to identify high-calibre alliances, corporate partners, and strategic investors.
- ***DWL immediate growth opportunities*** continue to be pursued in relation to DWL's new 3D Transcranial Colour Doppler (3D TCCD) Duplex imaging technology. Additionally, the newly patented ***auto-scan TCD*** technology that is capable of activating ***substantial future accelerated growth***, including expansion into vascular brain imaging, traumatic brain injury (TBI) and stroke management markets, continues to be pursued.
- ***Neuroscan continues to progress their advanced brain imaging market expansion strategy*** to augment Neuroscan's existing niche neurophysiological researcher business. This will enable the business to access the demand for more advanced brain analysis within the larger neurological imaging markets.

OUTLOOK*

Compumedics expects the identified key growth opportunities to deliver increased revenues and earnings in the current financial year.

As a result, the Company expects revenues to increase to the range of $36.0M to $38.0M. On the basis of these revenues are achieved EBITDA is expected to increase to a range of $4.5m to $5.5M and NPAT to a range of $2.8M to $3.2M. Earnings forecasts include ongoing investments in the next generation growth platforms, via medical innovations, as noted in this report.

This guidance is based on the general economic environment in Australia and the Company's other key offshore markets being the US, China, France and Germany remaining broadly as they are at the timing of the release of these results.

The 2016 FY has commenced with good momentum building, including the recently announced record DWL $5.0M contracts for Germany (ASX:8July15), the prestigious new Perth Children's Hospital $0.60M neurological order (ASX:8Sep15), the $2.0M Neuroscan brain research and neurology South Korea distribution deal (14Sep15), and the further $1.0M China sleep Shanghai region distribution deal (ASX:21Sep15).

SUMMARY

Compumedics is well positioned, following a strong 2015 FY, to continue its profitable growth trajectory, whilst executing upon its geographical sales expansion strategy underpinned by major product roll-outs across all business divisions.

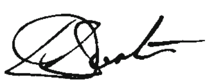
The core business growth continues to return strong operating profitability and is well positioned for significant earnings growth for many years ahead.

The next generation growth platforms including sleep eHealthMedics, DWL's patented auto-scan systems for TBI and stroke management, and Neuroscan's strategic expansion into the larger brain imaging markets, all position Compumedics for an exciting blend of continued core financial performance with unprecedented up-side.

The year ahead will remain strategically focused on driving profitable growth, accelerating geographical market expansion, along with advancing the next generation growth platforms designed to augment sleep, DWL and the Neuroscan business sectors.

I would like to thank you all for your continued support and look forward to sharing with you a number of milestones, as we continue to sharpen our focus to execute on our continued core and break-out business value realisation strategies.

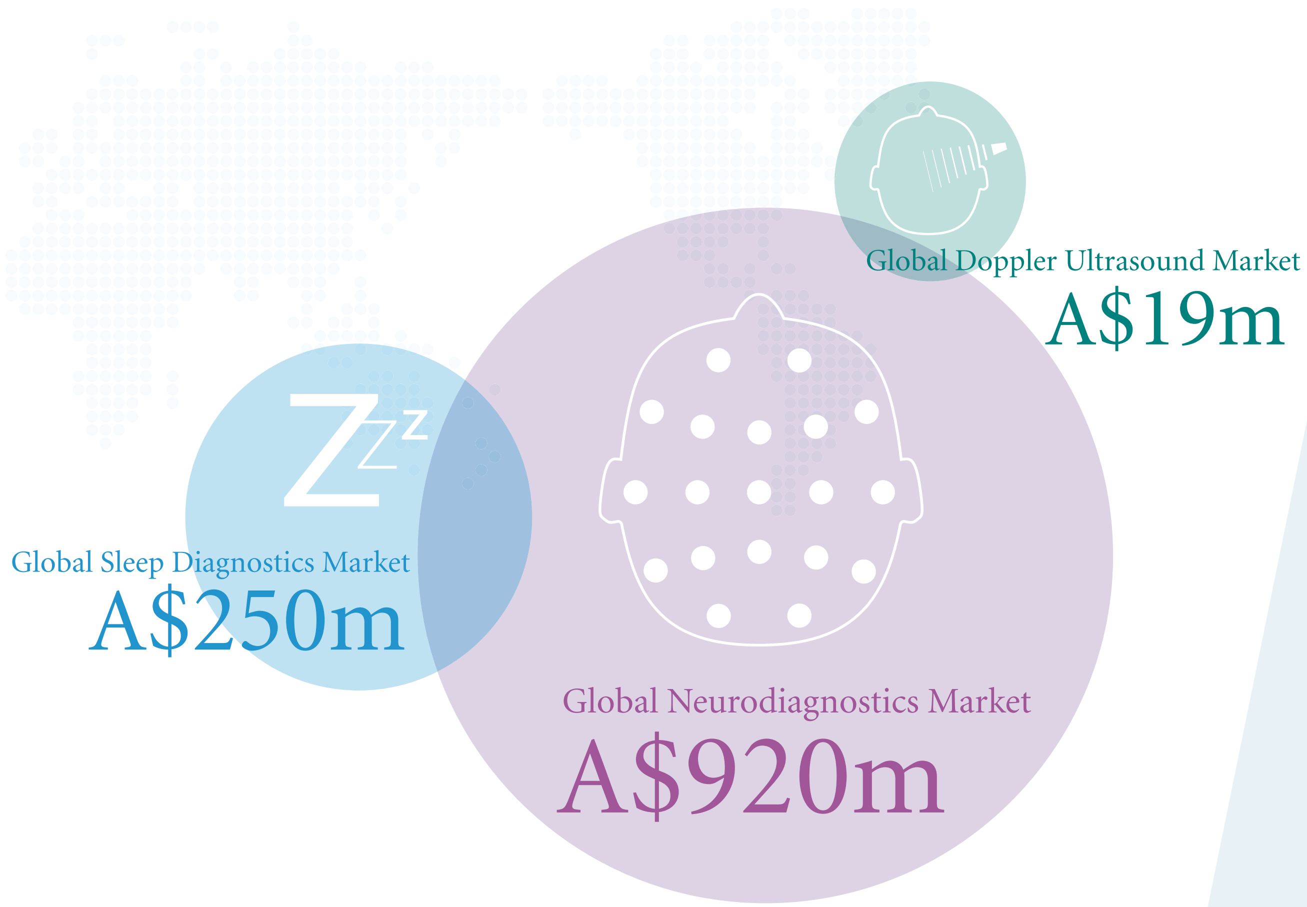
Yours sincerely,



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

* Our guidance may include predictions, estimates or other information that might be considered forward-looking. While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. You are cautioned not to place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this communication. Please keep in mind that we are not obligating ourselves to revise or publicly release the results of any revision to these forward-looking statements in light of new information or future events.

The Business of Compumedics



Compumedics is a global technology leader in the development and commercialisation of computer based medical products.

Our technology has so far focused on the fast growing, high value sleep medicine market. We are now also focusing on the associated fields of neurodiagnostics and brain research.

By **defining life's signals**, our technology turns vast amounts of data into valuable information that leads to a more accurate diagnosis and consequently more effective therapy for some of the most serious health conditions.

We are an Australia based company with global operations and customers.

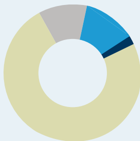
Global Neurodiagnostics market

Description of the market:
Global Neurodiagnostics is the study of electrical activity in the brain, spinal cord, nerves and muscles for the diagnosis and monitoring of neurological based diseases. Tests may be performed in hospital outpatient departments, neurophysiology labs, operating theatres, intensive care units and private practice.

Where we compete:

- Asia 1%
- Europe 70%
- USA 13%
- Australia/NZ 16%

(Total Sales)



Competitive Advantages:

1. Complete range from clinical to research technologies
2. Uncompromised system design
3. Highest industry quality standards
4. Best in class brain analytics

Current Market Share: *less than* 1%

Key drivers:
The key drivers for achieving growth in this market are to have technologically superior products that differentiate Compumedics from the existing competition. With the current products being complemented by a completely new long-term monitoring device in 2010, this will be achieved.

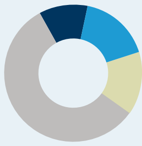
Global Sleep Diagnostics market

Description of the market:
The global Sleep Diagnostics industry is comprised of diagnostic and therapeutic technologies and medicines. Compumedics' core business lies in the design and manufacture of technologies for the diagnosis of sleep disorders – a market estimated to be worth AUD$250 million worldwide and growing.

Where we compete:

- Asia 14%
- Europe 15%
- USA 56%
- Australia/NZ 15%

(Total Sales)



Competitive Advantages:

1. Innovative strength
2. Active involvement in sleep science globally
3. Market placement and momentum
4. Best in class sleep analytics

Current Market Share:

6%

Key drivers:
To logically continue to expand our US and European sales and support infrastructure and to evolve the business to provide complete sleep medical solutions.

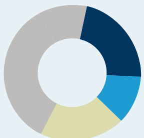
Global Brain Research market

Description of the market:
Global Brain Research is the study of the brain's functionality, using Quantitative EEG (QEEG) methods to supplement traditional EEG findings. With the advent of high speed digital information processing and statistical analysis, QEEGs extract and quantify brain electrical activity to address aspects of EEGs that cannot be appreciated visually.

Where we compete:

- Asia 27%
- Europe 23%
- USA 40%
- Australia/NZ 11%

(Total Sales)



Competitive Advantages:

1. Superior patented technology
2. Uncompromised system design
3. Unmatched innovation
4. Best in class brain analytics

Current Market Share:

28%

Key drivers:
The key driver for growth in brain research will be to maintain Neuroscan's preeminent technological lead and to back this by expanding the sales and support infrastructure to harness this expanding market opportunity.

Global Doppler Ultrasound market

Description of the market:
The Doppler Sonography technique utilises sound frequencies to measure the blood flow conditions in vessels and evaluate haemodynamics by using high-quality diagnostic and monitoring systems.

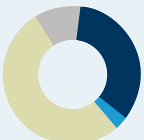
DWL Doppler systems are used in a wide range of specialist branches of medicine including neurology, neurosurgery, cardio- and vascular surgery, anesthesia, intensive treatment, internal medicine, angiology and radiology.

The products are purchased by private practices and clinics, hospitals (both public and private), and by major universities, national research institutes and corporate research laboratories around the world.

Where we compete:

- Asia 36%
- Europe 52%
- USA 10%
- Australia/NZ 2%

(Total Sales)



Competitive Advantages:

1. Full Digital Doppler Technology
2. Bilateral Doppler
3. Multi-Range Doppler Technology
4. Physiological Tests
5. Emboli Differentiation & Multi-Frequency probes
6. Highest Doppler sensitivity
7. Best signal to noise ratio
8. Reference gates
9. High and low temperature endurance systems
10. Space endurance systems

Current Market Share: *less than* 35%

Key drivers:

- Digital Doppler Technology
- New application areas for the use of TCD
- Expanding market opportunities by new Health Care Regulations for the use of TCD
- Expanding Sales and Support Infrastructure

Clients of Compumedics

Key Clients

NASA
National Aeronautics and Space Administration

MAYO CLINIC

VATICAN

NIH National Institutes of Health

STANFORD SCHOOL OF MEDICINE

EINSTEIN
Albert Einstein College of Medicine

Yale University School of Medicine

Hennepin County Medical Center

TOKYO MEDICAL AND DENTAL UNIVERSITY

UNIVERSITY OF OXFORD

PEKING UNIVERSITY

The Royal Children's Hospital Melbourne

Austin Health

Sleep Diagnostics

Products provided

- Grael® – the world's first High Definition PSG/EEG
- Siesta®PSG – the ultimate in wireless Sleep recording systems
- Somté®PSG – unique holter style full PSG system
- Somté® – unique holter style cardio-respiratory system
- Profusion Sleep™ – the next generation world class sleep diagnostic software
- Profusion Nexus™– laboratory management system
- E-Series™ EEG/PSG – network ready laboratory and portable Sleep system
- Safiro® PSG – ideal for ambulatory applications in sleep

Key Clients

- Austin Repatriation & General Hospital (Aust)
- Monash Medical Centre (Aust)
- Royal Prince Alfred Hospital (Aust)
- Sir Charles Gairdner Hospital (Aust)
- Royal Children's Hospital (Aust)
- Minnesota Regional Sleep Disorder Center (USA)
- University of Michigan Medical Center (USA)
- Yale Medical Center (USA)
- Carolina Healthcare System (USA)
- Carolina Sleep Services (USA)

Compumedics Greal®-HD

Compumedics Somté® PSG

Compumedics Siesta®

Compumedics Profusion™ Sleep Software

Ultrasonic Blood Flow Monitoring

#1 *European Market*

Products Provided

- EZ-Dop®
  - Compact design. High performance.
- Multi-Dop® Pro
  - Flexible. Portable. And always at the ready.
- Doppler-Box™ X
  - A new Generation.
- Multi-Dop®T digital
  - Compact. And extremely versatile.
- Multi-Dop®X digital
  - A state-of-the-art all-in system.
- Multi-Dop®X digital with Color Doppler Imaging Module
  - Two Methods - One Solution.

DWL® Atlas of Doppler Sonography

Doppler sonography with its ability to measure flow velocity in blood vessels provides a perfect understanding of the hemodynamic situation under normal and pathological conditions. The great number of applications resulting from this ability touch upon a wide spectrum of medical and technical knowledge.

With the DWL® Atlas of Doppler Sonography it has been created a reference work presenting a wealth of information about Doppler sonography in pictures, videos, and not least, research papers.

Doppler-Box™ X

Multi-Dop® T digital

Neuro Diagnostics (including Brain Research)

• *Clinical*
• *Research*

Products Provided

- Neuvo® LTM – the new standard in LTM & epilepsy monitoring
- Grael® EEG – high-definition clinical EEG system
- E-Series™EEG – network-ready laboratory and portable EEG solution
- Safiro® EEG – a perfect solution for ambulatory applications
- Siesta® EEG – the ultimate in wireless capabilities in EEG
- SynAmpsRT™ – world's most powerful and advanced amplifier
- CURRY® SCAN 7 Neuroimaging Suite - for signal acquiring, processing and source and image analysis
- MicroMagLink™ system – for EEG recording in the fMRI environment
- Stim™ – audio visual stimuli presentation software
- Profusion EEG™ – world class routine and LTM EEG diagnostic software

Key Clients

- Flinders Medical Centre (Aust)
- Austin Repatriation & General Hospital (Aust)
- St. Vincent's Hospital (Aust)
- Royal Children's Hospital (Aust)
- University of Melbourne (Aust)
- University of Sydney (Aust)
- Swinburne Centre for Applied Neuroscience (Aust)
- Yale New Haven Medical Center (USA)
- University of South Alabama (USA)
- Georgia Health Sciences University Medical Center (USA)
- University of Chicago (USA)
- Stanford University School of Medicine (USA)
- Oxford University (UK)
- Tokyo University (Japan)
- Peking University (China)

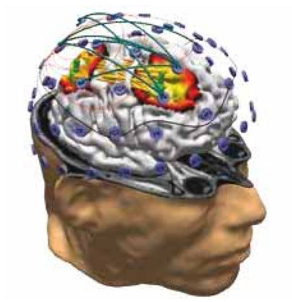
GLOBAL MARKET POSITION BEING BUILT

Exciting opportunities exist in the massive Neuro-diagnostics market worth:

$920M p.a.

Compumedics Grael®-HD EEG

Compumedics Neuvo® 512 Channel



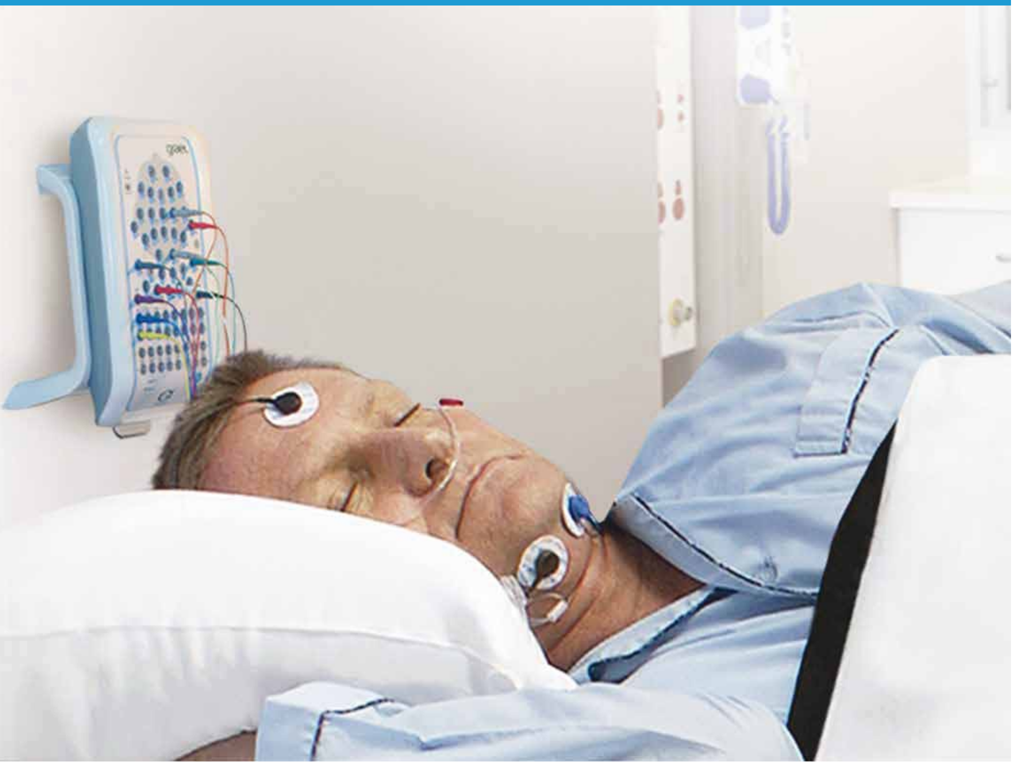
Compumedics CURRY® Neuroimaging Suite

Sleep Diagnostics & Treatment

Compumedics was founded with the establishment of computerised sleep diagnostics and today sleep deprivation is recognised as one of the most serious modern day health epidemics. Sleep disorders such as apnoea have been implicated as a leading causation of two of today's principal causes of death being cardiac arrest and stroke.

"Compumedics provides us with unrivaled flexibility and power in its PSG acquisition, scoring and reporting systems. The sales and service staff are second to none in customer satisfaction and are just as reliable as their equipment. I just hope that our competition doesn't catch on!"

Luis A. Garcia, RPSGT
Clinical Director LMI Sleep Diagnostics Division
Landauer Metropolitan Homecare



Number of known classified sleep disorders: 85

What is a Sleep Disorder?

A sleep disorder is a medical condition that affects a person's ability to have a 'normal' night's sleep. There are 85 classified sleep disorders ranging from snoring, obstructive sleep apnoea and insomnia to narcolepsy. Identified in 1966, obstructive sleep apnoea (OSA) is the most common form of sleep disorder and is a serious and potentially life threatening condition. Of the estimated 40 million Americans believed to suffer from treatable sleep disorders it is thought that 50% suffer from OSA.

How are Sleep Disorders Diagnosed?

General practitioners will refer patients who suffer from a variety of sleep-related symptoms (severe snoring, daytime tiredness, general fatigue and poor sleep patterns) to sleep physicians or respiratory physicians. At the specialist's recommendation, the patient may need to undertake a sleep study either in a sleep clinic or at home. In sleep studies, sensors are attached to the patient's head, chest, hands and legs. In home studies the patient is connected to a portable sleep diagnosis device prior to sleep. For 8 to 10 hours, breathing patterns, leg movements, eye movements, patient position and responses to light, sound and temperature are monitored using ECG, EEG, EMG, SaO_2, $TcCO_2$ and CPAP (a Continuous Positive Air Pressure device). High-resolution monitors display on-line and off-line physiological waveforms as well as trend analysis data.

Compumedics Profusion Sleep™
- the next generation of world class
PSG acquisition, review and
analysis software.

Compumedics Somté® PSG
- the next generation of
Somté recorders.
Full PSG... absolutely anywhere.

How Common are Sleep Disorders?

Sleep disorders are estimated to affect approximately 40 million Americans. In 1993, the National Commission on Sleep Disorders Research estimated that approximately 20 million individuals in the USA suffer from OSA. Of this 20 million, more than 30% (6.5 million) over the age of 30 suffer moderate to severe OSA. However, only a small proportion of OSA sufferers were aware of the cause of their sleep problems.

This rate of occurrence ranks sleep disorders as more prevalent than asthma in the USA. Sleep disorders remain a relatively new area of medicine and due to the lack of awareness, a large percentage of sufferers are currently undiagnosed.

Somnilink® SPAP ®
- Compumedics' innovative sleep
apnoea therapy device.

Certain segments of the population appear to be at more risk of developing sleep disorders. Typical sufferers are middle-aged males, with a history of severe snoring. There are also certain risk factors that increase the chance of developing sleep disorders including:

– Obesity
– Ageing
– Genetic predisposition
– Smoking
– Alcohol consumption

Many of these risk factors reflect the characteristics of modern society. It is anticipated that these risk factors, combined with the increasing awareness of sleep disorders within the medical community, will continue to generate substantial growth in the sleep device market.

Links to Other Diseases

Sleep disordered breathing is more common in people with high blood pressure, heart disease, diabetes, stroke and a number of other common medical conditions. It is thought that the lowering of blood oxygen during sleep and the frequent apnoeic episodes contribute to vascular, heart and brain dysfunction (such as stroke and memory impairment) for people with these medical conditions. Sleep disordered breathing is also more common in people with spinal cord injury and may contribute to daytime dysfunction and excessive sleepiness in this group. There is also a newly discovered link between sleep disordered breathing and pre-eclampsia in pregnancy and it may be that upper airway obstruction disrupting

Compumedics Grael® HD
System - High Definition
Clinical PSG / EEG System

sleep leads to the high blood pressure in this condition.

As the understanding of the links between sleep quality and normal function across the whole range of body systems increases, new and valuable insights into the cause of many common diseases, and the potential role for improving breathing and sleep quality in the treatment of those conditions will be gained.

Impaired and disturbed sleep quality has an enormous impact on psychological function, mood, memory and general cognitive performance. This has led to increased awareness of the importance of good sleep quality in prevention of industrial and motor vehicle accidents and absenteeism in the work place. Clearly, strategies to improve and promote sleep health in the community are of considerable socio-economic importance in creating a healthy society.

Compumedics Somté® PSG Vest -
for easy set-up and patient comfort.

Neuro Diagnostics (including Brain Research)

Compumedics through the acquisition of the Neuroscan business in 2002 expanded its business to brain research and neurological diagnostics. Both markets are highly complementary to Compumedics sleep business. Compumedics has focused on leveraging Neuroscan's high end brain research technology to a more clinical application and the outcome of this is the recently released Neuvo® long term monitoring device.

"We evaluated solutions from other vendors but none could provide the integrated solution that Compumedics offered to help guide us in surgically treating this patient population."

Dr. Dean Naritoku, Professor and Chair of Neurology, USAMC.

Compumedics Grael® HD EEG System - High Definition Clinical EEG System

Profusion EEG - World class software for Routine and LTM EEG diagnostics

What is clinical Neurodiagnostics?

It is the study of electrical activity in the brain and spinal cord for the diagnosis of neurological-based disorders. The methods used to study clinical neurophysiology include Electroencephalography (EEG), Electromyography (EMG), Nerve Conduction (NCS), and Evoked Potentials (EP). These tests may be performed in hospital outpatient departments, neurophysiology labs, operating theatres, intensive care units, epilepsy centers and private practice offices.

EEG is used in the evaluation, monitoring, diagnosis, and/or management of the following brain related issues: Epilepsy, Traumatic Brain Injury, Infarction, and Intracerebral Hemorrhage as well as a host of research purposes.

EEG is an important growth area and part of the "journey" for Compumedics: EEG is the largest segment of the world market for Neurodiagnostics.

The primary markets for these devices are Europe and America with approximately 40% of the world market. However, Asia Pacific and Latin American markets are also expected to grow at a strong rate over the next 10 years.

EEG is inexpensive and non-invasive. It is virtually pain and risk free and is one of the most benign tests for monitoring brain function in the evaluation of epilepsy.

Growth in neurodiagnostics is being driven by the prevalence of reliable technology and performance requirements of the EEG as a clinical instrument in surgical therapy, known as Intraoperative Monitoring (IOM), and for extended epilepsy monitoring or Long Term Monitoring (LTM).

Epilepsy is a chronic neurological disorder that affects 1% of the world population. Most of the health care costs associated with epilepsy are attributable to those patients with medically intractable seizures. Many of those disabled by epilepsy may be candidates for surgical therapy. Note: in 2003 there were an estimated 100,000 – 200,000 potential surgical candidates in the USA alone. Early and successful surgical intervention might prevent or reverse disabling consequences of uncontrolled seizures during critical periods of adolescence and adulthood.

What is brain research?

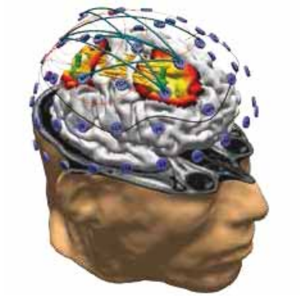
Brain research is the study of the brain's functionality, using quantitative measures of EEG to supplement traditional EEG findings. With the advent of high speed digital information processing and statistical analysis, extracting quantitative measures of EEG to assess the status of brain function allows access to aspects of EEGs that cannot be appreciated visually. Theoretically, such techniques incorporated the heuristics of visual analysis of EEG but move it to a state of processing beyond "the eye of the beholder". There are a variety of quantitative analysis techniques ranging from simple surface mapping of recorded EEG activity, to complex models that accurately define the source of these electrical activations in a three dimensional model of the head. Advanced brain source reconstruction techniques highlight regions of interest to the neuroscientist in understanding brain function and may assist in clinical diagnosis and treatment planning of some medical conditions.

Why is this important to Compumedics?

Leadership in objective and quantitative methods of EEG analysis and other brain research activities is important not only in terms of maintaining Neuroscan's pre-eminent position in this market and therefore its dominant market share, but to also lead the sleep and neurodiagnostic business technologies into the future. The Neuroscan Brain Research business is focused on working with key academics and researchers around the world in the pursuit of new neurophysiology research tools that have the potential to open up new clinical diagnostic solutions for known neurological disorders. The Neuroscan Brain Research business works with key researchers and industry leaders who write the research articles that form the basis of knowledge for neurodiagnostic clinical practices for the next 10-15 years.

The majority of these key decision makers use Compumedics Neuroscan products.

Or to put it practically, more than 1,400 physiological research laboratories across the world use Compumedics Neuroscan brain research products. These laboratories include prestigious laboratories such as: Albert Einstein College of Medicine (USA)– Stanford University School of Medicine (USA)– Oxford University (UK)– The Mayo Clinic (USA)– Yale School of Medicine (USA)– University of Melbourne (Aust)– Tokyo University (Japan)– University of Sydney (Aust). It is these research institutes that will drive clinical practices in the future, all using Compumedics Neuroscan equipment in their investigations. This gives our neurodiagnostic business a significant competitive advantage and will ensure the neurodiagnostic functionality in our sleep diagnostics also remains leading edge.



CURRY SCAN 7 Neuroimaging Suite - for signal acquiring, processing and source and image analysis.

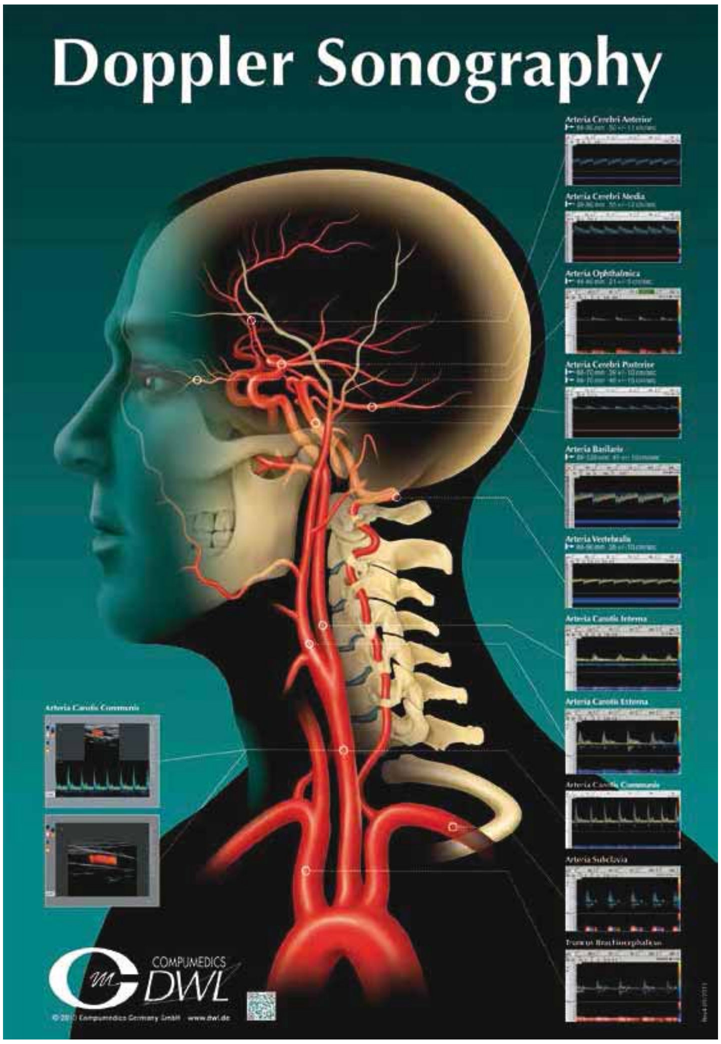
Compumedics Neuvo® - the ultimate long-term EEG monitoring system

SynAmps RT™ - sets a new standard in EEG and ERP amplifier technology.

Ultrasonic Blood Flow Monitoring

To grow the business by innovations and developments in technology and products and by capitalising on opportunities in application fields for practicable routine Doppler Sonography, Neuro-monitoring and Neuro-protection and into stroke treatment opportunities.

TCD Monitoring



Doppler Sonography :
Technology with a future

Transcranial Doppler sonography is a highly specialized and clearly defined area of competency in medical technology. The technology has been continuously developed since the first systems were introduced by Rune Aaslid at the beginning of the 1980s. Doppler systems have been able to maintain their position compared to much more complicated diagnostic methods due to the lower costs, the expressive findings and, last but not least, the possibility of continuous monitoring in real time; benefits which an increasing number of users have come to appreciate.

Core competence - TCD

At Compumedics DWL®, we have been working at the highest level of innovation on further developing and perfecting transcranial Doppler sonography for many years. Where others have diversified, we have made clear decisions: With a highly specialized international team of experts, we continuously work towards making our Doppler systems even more efficient and user friendly. We are doing what we do best. And we are getting better every day.

Multi-Dop®X digital with Color Doppler Imaging Module -
A state-of-the-art complete solution which combines the latest Doppler technology with a Color Doppler Imaging module for intracranial Doppler investigations and extracranial Duplex investigations.

Doppler-Box™ X
A new generation - Doppler technology with the highest level of innovation. Connects to any external Windows©-based computer.

Always one step ahead

Our international team of experts has continuously set new benchmarks – from the first DWL® Doppler systems for bilateral transcranial monitoring in 1992, through the constant further development of embolism detection and differentiation to digital Doppler technology of the highest standards. We have not only been able to perfect the existing technology, but have also succeeded in developing a whole new range of innovative applications for Doppler sonography.

We help to save lives

The core competency of our company and of our employees is transcranial Doppler sonography and its unique performance such as in the detection and differentiation of embolisms. In close contact with professors and research institutes throughout the world, we perfect diagnosis methods, develop new applications and, in doing so, we help to save lives.

At home in 120 countries

Currently, 8,000 DWL® systems installed in more than 120 countries do their duty reliably every single day of the week – evidence of the trust that experts in many different specialist fields place in DWL® Doppler systems. Practical experience finds its way directly into our development department via our global network of expert distributors.
This allows us to work continuously towards making our systems even easier and more flexible to use and to achieve even more precise and reliable results in both routine diagnostics and monitoring.

DWL USA

After several successful years of marketing our products and services through local distributors, we have moved closer to our North American customers:

In founding DWL US, Inc., located in San Juan Capistrano, California, with US wide local sales representation, we have laid the foundation to provide even better service and support.

Multi-Dop® T digital
Dynamic and extremely versatile.

Cutting edge technology in an innovative, ergonomic and compact design. A new control concept renders operating the comprehensive performance range of the Doppler-system intuitive, fast, and safe at any time and in any situation.

Multi-Dop® T digital offers a comprehensive performance spectrum from routine tests and continuous monitoring all the way to the detection and differentiation of emboli. Like all DWL® Doppler systems, the Multi-Dop® T digital provides all available options for a routine examination in the cerebral blood circulation and for intra-operative examinations directly on blood vessels. Ergonomic and intuitive access to all these features is provided via touch screen with tablet functionality and/or detachable wireless keyboard.

With the Doppler M-Mode it is possible to measure through the entire depth range and thus detect and analyse the clinically relevant Doppler signals in no time at all. Intensity, flow direction, and depth information are shown in real time while up to nine Doppler spectra windows offer a simultaneous multi-depth display.

Strategic Growth Platforms

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

The Somfit eHealth opportunity is highlighted here.

Quality Sleep is Essential

"Every aspect of who you are as a human, every capability is degraded, impaired, when you lose sleep. What does that mean? Your decision-making, reaction time, situational awareness, memory, communication, and those things go down by 20 to 50 percent."

(Mark Rosekind, member of the National Transportation Safety Board in Sleepless in America – National Geographic Channel Documentary December 2014)

1 in 5 people
suffer sleep disorders

What is Sleep Fitness?

Sleep fitness is getting the **right type** or stages of sleep and the **right amount** of sleep.

There are five stages of sleep, each characterized by different brain activity.

The most important sleep stages are **REM** (**Dream sleep**) that enables brain restoration for learning and memory and **Deep Sleep** for body recovery.

The body also needs **alignment of our internal circadian clock** with the sleep/wake cycle - otherwise sleep quantity suffers (ie the "jet lag effect") and sleep fitness is degraded.

Are you getting quality sleep (how do you know)?

Movement detection is not clinically accepted as a true measure of sleep-wake.

The American Academy of Sleep Medicine (AASM) recommends that to clinically and scientifically distinguish between various sleep stages to determine sleep quality or fitness - sleep scientists measure brain waves (electroencephalography or EEG), eye movements and muscle tone.
This is the Gold Standard for a sleep test.

Somfit™
True sleep fitness

"Everything should be made as simple as possible, but not simpler" - **Albert Einstein**

The Somfit

For the first time, a fitness tracker with gold standard sleep technology.

During the day, use Somfit to track your daily activities – when you are walking, running, biking or even on an elliptical machine.

At night, the Somfit will track your sleep collecting medical grade data to provide true sleep insights - understand your night's sleep architecture - accurately measure the quality of your sleep through accurate measurements of durations you spend in REM, Deep Sleep or Light Sleep.

Why use Gold Standard Sleep Technology?

The technology in Somfit is medically validated and the data collected is Gold standard – meaning that it is the accepted methodology to accurately measure and detect true deep sleep and REM, essential measures for body recovery and brain restoration. The data can be used for medical consultations with your GP or sleep specialist if and when the need arises.

Coaching

Empower yourself with accurate sleep data and with Compumedics' strong ties with the sleep professional community and extensive experience in sleep, you can take intelligent action to improve your wellbeing and performance.

Who is it for ?

- **Athletes** - managing and enhancing performance
- **Parents** - to monitor their children's sleep patterns
- **Medical professionals** - to assist treatments of insomnia or depression
- Anyone who wants to truly understand their sleep habits for well being.

The power inside

Powered with technologies from Compumedics, the company with over 25 years experience in professional sleep diagnostics and equipping leading sleep laboratories around the world with advanced sleep monitoring systems.

Compumedics offers expertise in medical product design, but significantly provides the advanced diagnostic-grade signal processing power for more accurate sleep staging and analysis in the Somfit.

Sleep and fitness coaching can be done using the Somfit App.

Board of Directors:

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

Dr. David Burton, Ph.D.

Executive Chairman, CEO

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

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

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

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

Mr. Alan Anderson

Non-Executive Director

Mr Anderson, is a leading American attorney in the areas of commercial litigation, intellectual property and computer law. He has represented Compumedics for all legal matters in the USA since late 1998.

Mr Anderson completed his Bachelor of Arts with Honours (Political Science) at Coe College. He also holds a Master of Business Administration with Distinction, a Doctor in Law with Honours from Cornell University, and a Certificate in International Business and Commercial Law from the McGeorge School of Law (University of the Pacific).

Mr. David Lawson

Executive Director

Mr Lawson has been Chief Financial Office and the Company Secretary of the Company for over fourteen years. In that time, Mr Lawson has been extensively involved in the development of the Company including the Initial Public Offering of shares in the Company, the subsequent offshore acquisitions in the US and Germany, private equity placements and the recent refinancing of the Company. Mr Lawson also has been involved in the operational turn around of the Company and brings a significant amount of experience and knowledge to the Board. Mr Lawson is also a Director of Swinburne Venture Pty Ltd, the intellectual property commercialisation arm of Swinburne University.

Senior Management:

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

David Lawson
Executive Director,
Chief Financial Officer
& Company Secretary

Warwick Freeman
Chief Technology Officer

Kerry Hubick
Trademark, Patent
& General Legal Attorney

Christoph Witte
General Managing Director
DWL Compumedics Germany GmbH

ANNUAL REPORT 2015

COMPUMEDICS®

FINANCIAL STATEMENTS

Annual Financial Statements

for the year ended 30 June 2015

Contents

Corporate Information

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

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

Directors	Dr. David Burton Mr. Alan Anderson Mr. David Lawson
Secretary	Mr. David Lawson
Executive team	**Executive Chairman, CEO** David Burton **Executive Director and CFO** David Lawson **Chief Technology Officer** Warwick Freeman **Legal Counsel & Patent Attorney** Kerry Hubick **General Managing Director DWL Compumedics Germany GmbH** Christoph Witte **Vice President, Chief Scientist, Neuroscan** Curtis Ponton
Notice of annual general meeting	The annual general meeting of Compumedics Limited **will be held at** Compumedics Limited 30-40 Flockhart Street Abbotsford VIC 3067 **time** 10.30am **date** Thursday 29 October 2015
Principal registered office in Australia	30–40 Flockhart Street Abbotsford VIC 3067 Telephone: (03) 8420 7300
Share registers	Link Market Services Limited Level 1 333 Collins Street Melbourne VIC 3000 Phone: 1300 554 474
Auditor	Hayes Knight Audit Pty Ltd Level 12 31 Queen Street Melbourne VIC 3000
Stock exchange listings	Compumedics Limited shares are listed on the Australian Stock Exchange. Compumedics' ASX code is CMP.
Website address	www.compumedics.com.au

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Compumedics Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015.

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

Dr. David Burton
Mr. Alan Anderson
Mr. David Lawson

Principal activities

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

Dividends

The directors have not declared a dividend in the current financial year (2014: nil).

Review of operations

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

	Total Revenue		**Segment Results**	
	2015	**2014**	**2015**	**2014**
	$000	**$000**	**$000**	**$000**
USA	10,715	9,523	(1,086)	(775)
Australia and Asia Pacific	14,171	11,808	4,208	1,775
Europe	8,609	9,510	956	1,101
Total continuing operations	**33,495**	**30,841**	**4,078**	**2,101**
Depreciation and amortisation			(1,392)	(1,419)
Finance costs			(675)	(611)
Other income			-	901
Profit / (loss) before income tax expense			2,011	972
Income tax expense			(41)	(63)
Profit / (loss) for the year			**1,970**	**909**

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

The Group achieved a number of milestones during the 2015 financial year including a substantial lift (19% growth year-on-year) in new sales orders taken across the Group, a reduction in the back log of existing sales-orders on-hand and the on-going selective out-sourcing of manufacturing.

FINANCE

During the 2015 financial year the Group sought and obtained additional working capital through the Export Finance and Investment Corporation (EFIC). The new USD1.0m Export Working Capital Guarantee (EWCG) was put in place late calendar 2014 in conjunction with the ANZ Bank. This facility in addition to the Group's existing working capital facilities has enabled the Group to increase its production through put and effectively deal with the Group's growing sales.

OPERATIONS

Compumedics maintained its research and development (R&D) investment at 14% of sales, which is about twice the industry standard. Consequently, the Group has retained its technological leadership, with a strong pipeline of new and exciting upcoming product releases and upgrades.

In order to ensure the Group operates as efficiently as possible a number of projects have continued to be progressed during the financial year. These include the selective out-sourcing of manufacturing processes where it is more economical and efficient to perform those activities with a third party. In addition the Group has revamped its core Grael sleep and neuro diagnostic hardware platform to expand this range into lower price points so that a larger addressable market is available to the Group from early calendar 2016. As part of this process the Group has also redesigned its full function Grael products to eliminate costs and maintain competitiveness in key global markets.

While these structural transforms have demanded significant investment in the short term, in terms of personnel, engineering and components, they will result in substantial savings and elevated shareholder returns in the medium term through improved margins.

STRENGTHENED SALES AND MARKETING

The Group achieved the following geographical outcomes.

(a) USA
Total US revenues were $10.7m for the year ended 30 June 2015 compared to $9.5m for the prior year. The increased sales revenue in the US reflects the increase in sales orders taken in the US as well as increased shipments of goods for the financial year, through to 30th June 2015.

(b) Asia Pacific
Australian and Asia Pacific revenues for the year ended 30 June 2015 were $14.2m compared to $11.8m for the prior year. Revenues in this region were primarily influenced by the ability to ship the back log of sales orders on hand and received during the financial year by 30th June 2015. The Australian, Chinese and other Asian markets performed well for the year ended 30th June 2015, with China continuing to grow as a proportion of total Group sales.

(c) Europe
European revenues for the year ended 30 June 2015 were below the prior year reflecting slower trading conditions in key markets such as Italy. These slower trading conditions were partially offset by stronger performances from the Group's French business and also the German-based DWL business.

The Group continues to make gains in Neuro diagnostic markets around the world with new and existing distribution partners executing agreements to pursue sales in their respective territories. This is in addition to the on-going focus in our key global markets where we sell directly, such as, the US, Australia, Germany and France.

In the Group's core sleep diagnostic business, Compumedics has the most sophisticated and advanced range of portable sleep-monitoring systems of any of the companies competing in these markets. The Group continues to be recognised as a leading sleep diagnostic Group world-wide and as such global sleep diagnostic markets continue to offer opportunities for growth, particularly in Asia Pacific and specifically China.

The Group is continuing to develop its eHealth, Cloud or WEB enabled, sleep diagnostic solution for key markets around the world. This integrated package of WEB enabled hardware and software continues to be progressed in line with the agreements in Asia already signed.

BREAKOUT MEDICAL INNOVATIONS

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

SUMMARY

The Group is clearly focused on three key goals being:

1 The geographical expansion of the core sleep diagnostic and neuro diagnostic monitoring businesses into global territories, where the Group has little or no market share.
2 Complete and commercially roll-out the new generation Grael platform of products which will enable Compumedics to address the lower price point of the sleep and neuro diagnostic markets without sacrificing margins.
3 Continue the productivity enhancement programs to eliminate and reconfigure expensive and inefficient processes with all parts of the business. To date this has focused on the outsourcing of key manufacturing processes, as this provides the greatest potential gains in the short-term.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The focus for the Group will be on continuing the profitable growth achieved during the year ended 30 June 2015, to further capitalise on the larger and growing customer base of the Group.

The Group expects revenues to be within a range of $36.0m to $38.0m for the year ended 30 June 2016. On the basis revenues are within this range earnings before interest, tax, depreciation and amortisation should be between $4.5m and $5.5m, with net profits after tax between $2.8m and $3.2m.

Significant Changes in State of Affairs

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

Matters subsequent to the end of the financial year

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

Environmental Regulation

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

Information on directors

Dr. David Burton, Chairman and Chief Executive Officer, Age 56

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

Other current directorships
D & DJ Burton Holdings Pty Ltd
Intellirad Pty Ltd
Electro Molecular Pty Ltd

Former directorships in last 3 years
None

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

Interests in shares and options through related entities
100,822,097 ordinary shares in Compumedics Limited
Nil options over ordinary shares in Compumedics Limited

Mr David Lawson, Executive Director and Chief Financial Officer, Age 50

Experience and expertise
Has a Bachelor of Commerce from Melbourne University and is a Member of Chartered Accountants in Australia and New Zealand. He has extensive experience in the development of the Compumedics business over the last 16 years and prior to that held a number of management positions with another listed public entity.

Other current directorships
Swinburne Ventures Pty Ltd

Former directorships in last 3 years
None

Special responsibilities
Member of the Remuneration Committee
Member of the Audit Committee

Interests in shares and options
4,346,650 ordinary shares in Compumedics Limited

Mr. Alan Anderson Non-Executive Director, Age 60

Experience and expertise
Extensive legal experience, particularly in intellectual property litigation, in both defence and offence.

Other current directorships
None

Former directorships in last 3 years
None

Special responsibilities
Chairman of the Remuneration Committee
Chairman of the Audit Committee

Interests in shares and options
89,665 ordinary shares in Compumedics Limited

Company secretary

The Company secretary is Mr. D. F. Lawson, Chartered Accountant. Mr. Lawson was appointed to the position of Company Secretary in 2000. Before joining Compumedics Limited he held various financial positions with another listed public Company for 8 years. Mr. Lawson has a Bachelor of Commerce from Melbourne University and is a Member of Chartered Accountants in Australia and New Zealand.

Meetings of directors

The numbers of meetings of the Company's Board of directors and of each Board committee held during the year ended 30 June 2015, and the numbers of meetings attended by each director were:

			Meetings of committees			
	Full meetings of directors		Audit		Remuneration	
	A	**B**	**A**	**B**	**A**	**B**
Dr. David Burton	7	7	2	2	1	1
Mr. Alan Anderson	7	7	2	2	1	1
Mr. David Lawson	7	7	2	2	1	1

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

Remuneration report (audited)

The remuneration report is set out under the following main headings:
A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional information

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

A Principles used to determine the nature and amount of remuneration

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

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

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

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

Alignment to program participants' interests:

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

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

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

Non-executive directors

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

Non-executive directors do not receive share options.

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

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

The following fees have been applied:

	From 1 July 2014 to 30 June 2015 $	**From 1 July 2013 to 30 June 2014 $**
Base fees		
Chairman	50,000	50,000
Other non-executive directors	30,000	30,000
Additional Fees		
Audit committee – chairman	5,000	5,000
Audit committee – member	2,500	2,500
Remuneration committee – chairman	5,000	5,000
Remuneration committee – member	2,500	2,500

Executive pay

The executive pay and reward framework has 5 components:
- Base pay and benefits
- Short-term performance incentives
- Long-term incentives through participation in the Compumedics Limited Employee Option Plan
- Other remuneration such as superannuation, and
- Long-term equity linked incentive program specifically for the head of the Medical Innovations Division.

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

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

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

There is no guaranteed base pay increases included in any executives' contracts.

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

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

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

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

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

For the year ended 30 June 2015, the KPIs linked to short-term incentive plans were based on Group, individual business and personal objectives. KPIs are set according to the individual responsibilities of each member of the executive team.

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

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

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

Long-term incentives
The Group has instigated a long-term incentive program for one executive. At 30 June 2015 no other long-term incentive plans were in place for any other Director or key management personnel. Any instigation of a long-term incentive program for any other executive of the Group will be determined by and authorised by the remuneration committee and the remuneration committee will assess subsequent performance.

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

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

On the basis that these 3 criteria exist, and, determined by the Remuneration Committee, a commercial project will be eligible for inclusion under the MI-LTPP. At 30 June 2015 the Remuneration Committee has approved several projects that are eligible under the MI-LTPP subject to the parameters discussed below.

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

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

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

Compumedics Employee Option Plan
Information on the Compumedics Option Plan is set out in section D and note 28 to the Financial Statements. There are no share based payments for the year ended 30th June 2015.

B Details of remuneration

Amounts of remuneration

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

The key management personnel of the Group are the directors of Compumedics Limited (see pages 4 to 5 above) and those executives that report directly to the Chief Executive Officer being:

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

Remuneration of key management personnel and other executives of the Group

2015	Short-term benefits			Post-employment benefits		Long term benefits	Share based payments	
Name	**Cash salary and fees $**	**Cash bonus $**	**Non monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Long service leave $**	**Options $**	**Total $**
Non-executive directors								
Alan Anderson	40,000	-	-	-	-	-	-	40,000
Sub-total non-executive directors	**40,000**	**-**	**-**	**-**	**-**	**-**	**-**	**40,000**
Executive Chairman								
David Burton	50,000	-	-	-	-	-	-	50,000
Executive Director & CEO								
David Burton	150,000	-	-	-	-	-	-	150,000
Executive Director								
David Lawson	35,000	-	-	-	-	-	-	35,000
Executive Director & CFO								
David Lawson	222,871	-	-	21,172	-	4,608	-	248,651
Other key management personnel								
Warwick Freeman	222,871	-	-	21,172	-	4,558	-	248,601
Kerry Hubick	174,840	-	-	16,610	-	3,491	-	194,941
Christoph Witte	261,626	29,842	-	21,539	-	-	-	313,007
Total key management personnel compensation	**1,117,208**	**29,842**	**-**	**80,493**	**-**	**12,657**	**-**	**1,240,200**

2014	Short-term benefits			Post-employment benefits		Long term benefits	Share based payments	
Name	**Cash salary and fees $**	**Cash bonus $**	**Non monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Long service leave $**	**Options $**	**Total $**
Non-executive directors								
Alan Anderson	40,000	-	-	-	-	-	-	40,000
Graham Mitchell	12,395	-	-	1,146	-	-	-	13,541
Sub-total non-executive directors	**52,395**	**-**	**-**	**1,146**	**-**	**-**	**-**	**53,541**
Executive Chairman								
David Burton	50,000	-	-	-	-	-	-	50,000
Executive Director & CEO								
David Burton	150,000	-	-	-	-	-	-	150,000
Executive Director								
David Lawson	24,750	-	-	-	-	-	-	24,750
Executive Director & CFO								
David Lawson	222,871	-	-	20,615	-	4,259	-	247,745
Other key management personnel								
Warwick Freeman	222,871	-	-	20,615	-	4,259	-	247,745
Kerry Hubick	174,840	-	-	16,173	-	3,341	-	194,354
Christoph Witte	256,574	60,889	-	22,134	-	-	-	339,597
Total key management personnel compensation	**1,101,906**	**60,889**	**-**	**79,537**	**-**	**11,859**	**-**	**1,254,191**

Note: Graham Mitchell retired as a Non-Executive Director of the Company at the Annual General Meeting of the Company, held in October 2013. At the same meeting David Lawson was appointed a Director of the Company.

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

Name	**Fixed Remuneration**		**At risk – STI**		**At risk - LTI**	
	2015 %	**2014 %**	**2015 %**	**2014 %**	**2015 %**	**2014 %**
Directors of Compumedics Limited						
David Burton	100	100	-	-	-	-
Alan Anderson	100	100	-	-	-	-
David Lawson	100	100	-	-	-	-
Other key management personnel of Compumedics Limited						
Warwick Freeman	100	100	-	-	-	-
Kerry Hubick	100	100	-	-	-	-
Other key management personnel of the Group						
Christoph Witte	90	90	10	18	-	-

The table below identifies for each cash bonus and grant of options included in the tables on pages 9 and 10, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria set. No other cash bonus targets were set for any other executive of the Group for the year ended 30 June 2015. As such no other executive was eligible for a cash bonus and as a consequence did not forfeit a cash bonus.

Name	**Cash bonus Paid %**	**Forfeited %**
Christoph Witte	**100**	-

C Service agreements

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

Remuneration and other terms of employment for the Chief Financial Officer and the other key management personnel are also formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses, other benefits including health insurance, car allowances and tax advisory services, and other benefits set out below.

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

David Burton, Chief Executive Officer/Chairman

- Fee for services provided for the year ended 30 June 2015 of AUD200,000, to be reviewed annually by the remuneration committee. David Burton is also entitled to participate in the Medical Innovation Long Term Performance Plan as approved at the 2009 and 2014 Annual General Meetings.
- D & DJ Burton Holdings Pty Ltd a Company associated with D. Burton receives licence fees, described in Note 29.
- Performance bonus: no performance bonus was paid during the financial year. (2014: Nil).
- Review of last salary and fees -1 July 2014
- David Burton will have a formal service agreement. The terms above are based on informal agreements.

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

- Base salary inclusive of superannuation, for the year ended 30 June 2015 of AUD 248,651 to be reviewed annually by the remuneration committee. Directors fees of $35,000 were also paid (2014: $24,750)
- Performance bonus: No performance bonus was granted or paid during the financial year. (2014: NIL)
- Review of last salary -1 July 2014
- The service agreement takes the form of a letter of offer, which incorporates Compumedics standard conditions of employment, which reflects termination notice of four weeks, amongst other basic statutory conditions.

Warwick Freeman, Chief Technology Officer

- Base salary inclusive of superannuation and car allowance, for the year ended 30 June 2015 of AUD248,601 to be reviewed annually by the remuneration committee
- Review of last salary -1 July 2014
- The service agreement takes the form of a letter of offer, which incorporates Compumedics standard conditions of employment, which reflects termination notice of four weeks, amongst other basic statutory conditions.

Kerry Hubick, Legal Counsel and Patent Attorney

- Base salary inclusive of superannuation and car allowance, for the year ended 30 June 2015 of AUD194,941 to be reviewed annually by the remuneration committee.
- Review of last salary -1 July 2014
- The service agreement takes the form of a letter of offer, which incorporates Compumedics standard conditions of employment, which reflects termination notice of four weeks, amongst other basic statutory conditions.

Christoph Witte, Managing Director, DWL

- Base salary inclusive of superannuation, for the year ended 30 June 2015 of EUR189,576, to be reviewed annually by the remuneration committee.
- Car Allowance of EUR7,620
- Performance bonus – a performance bonus, granted in September 2014, of EUR20,782 was paid during the financial year. (2014: EUR41,265)
- Review of last salary -1 July 2014
- Christoph Witte's service agreement commenced 1 September 2004 with a 2 year fixed notice period from 1 September 2005, after which the notice period reduced proportionately to six months at 1 September 2007.

D Share-based compensation

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

(i) 20% of each new tranche vests and is exercisable at the 1st anniversary date of the grant
(ii) 30% of each new tranche vests and is exercisable at the 2nd anniversary date of the grant

(iii) 50% of each new tranche vests and is exercisable at the 3rd anniversary date into one ordinary share of the Company.

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

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

The Group did not have any share-based payments in the full year ended 30 June 2015. Unissued ordinary shares in Compumedics Limited under option at the date of this report held by directors are Nil.

E Additional information

Loans to directors and executives

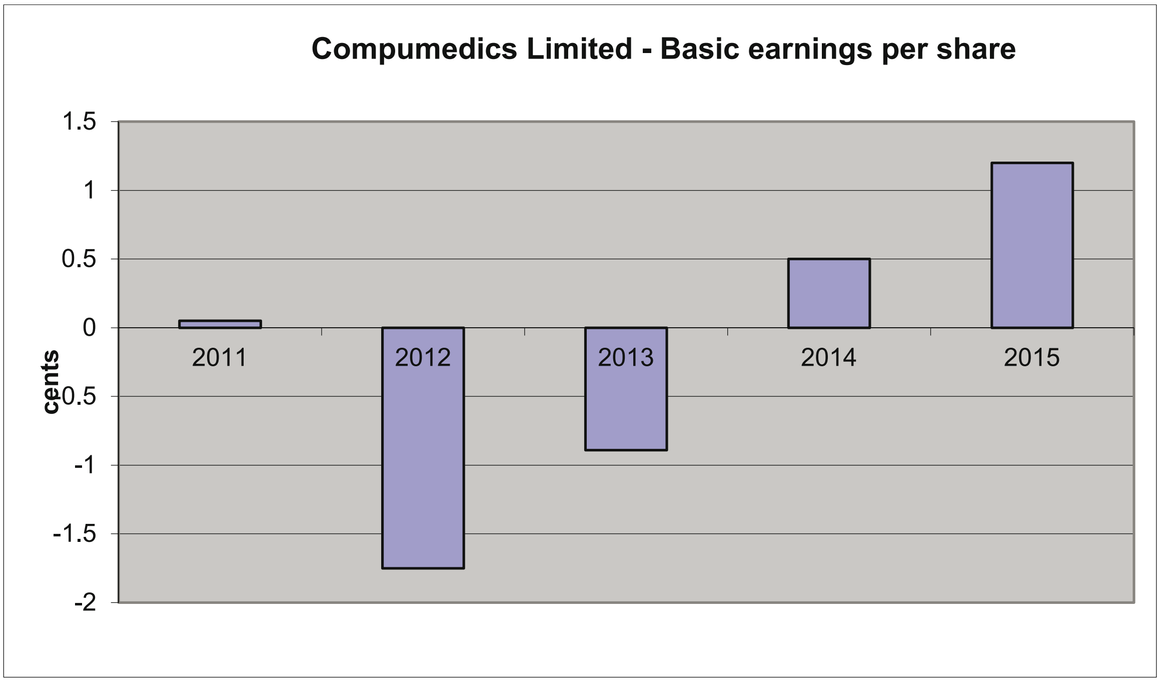
There are no current loans to directors and executives.

Shares under option

There were no unissued ordinary shares of Compumedics Limited under option at the date of this report. No options expired during the financial year ended 30 June 2015 (2014: NIL).

There were no new options issued during the year.

Group performance



The earnings per share performance of the Compumedics Group reflects the improved financial performance of the group and the improving external environment in which the group operates as at June 2015. The directors remain focused on driving earnings per share higher.

Insurance of officers

During the financial year, Compumedics Limited paid premiums of $21,893 to insure the Directors and Secretary of the Company and its Australian-based controlled entities, and the Executives and other senior managers of each of the divisions of the Group.

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

Proceedings on behalf of the Company

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

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

Non-audit services

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

Details of the amounts paid or payable to the auditor (Hayes Knight) for non-audit services provided during the year are set out below.

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

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

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

	Consolidated	
	2015	**2014**
	$	**$**
Non-audit services		
Taxation services		
Tax compliance services	31,400	29,900
Total remuneration for taxation services	**31,400**	**29,900**

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

Rounding of amounts
The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor
Hayes Knight Audit continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

David Burton
Director

Melbourne
30 September 2015

Hayes Knight Audit
chartered accountants · your partners in success

Hayes Knight Audit Pty Ltd
ABN: 86 005 105 975

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Melbourne, VIC 3000

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www.hayesknight.com.au

Registered Audit Company 291969

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Hayes Knight Audit

Hayes Knight Audit Pty Ltd
Melbourne

Geoff S. Parker
Director

Dated this 30 day of SEPTEMBER 2015

Corporate Governance Statement

Compumedics Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

The relationship between the Board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day-to-day management of the Group's affairs, and the implementation of the corporate strategy and policy initiatives, are formally delegated by the Board, to the Chief Executive Officer and the senior executives. These delegations are reviewed on an annual basis.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

The Board of directors

The Board operates in accordance with the broad principles of the Board charter. The charter details the Board's composition and responsibilities.

Board composition
The charter states:
- the Board is to be comprised of both executive and non-executive directors with a majority of non-executive directors preferable where possible. Non-executive directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management
- the Board recognises the underlying principle of independent directors but believes at this point in time the current directors, despite not being independent, bring a level of skill and experience to the Board combined with an intimate knowledge of the business that might otherwise not be available to it
- the Chairman is elected by the full Board
- the Group is to maintain a mix of directors on the Board from different backgrounds with complementary skills and experience
- the Board is required to undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

Responsibilities
The responsibilities of the Board include:
- providing strategic guidance to the Company including contributing to the development of and approving the corporate strategy
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives
- overseeing and monitoring:
    - organisational performance and the achievement of the Group's strategic goals and objectives
    - compliance with the Company's Code of Conduct
    - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and the Company Secretary
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the organisation
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.

Board members
Details of the members of the Board, their experience, expertise, qualifications, term of office are set out in the directors' report under the heading "Information on directors". There is one non-executive director, who is deemed independent under the principles set out below, and two executive directors at the date of signing the director's report.

The Board seeks to ensure that:
- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective
- the size of the Board is conducive to effective discussion and efficient decision-making.

Directors' independence
The Board is in the process of adopting specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:
- not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company
  - within the last three years, not have been employed in an executive capacity by the Company or any other Group member, or been a director after ceasing to hold any such employment
- within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided
- not be a material supplier or customer of the Company or any other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- must have no material contractual relationship with the Company or a controlled entity other than as a director of the Group
- not have been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative factors. An amount of over 5% of annual turnover of the Company or Group or 5% of the individual directors' net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

The Board currently acknowledges that having a combined Chairman and CEO (Executive Chairman) is not in keeping with current thinking on good corporate governance. However, considering the skills and experience of the current Executive Chairman and the needs of the Company at this point in time in its development, the Board considers the current arrangement to be in the best interest of the Company and its shareholders.

At the date of this report Alan Anderson, a director of the Company, is considered independent according to the governance provisions laid down by the Australian Securities Exchange.

Term of office
The Company's Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election, subject to the following limitations:
- no non-executive director may serve more than four terms (twelve years), and
- on attaining the age of 70 years a director will retire, by agreement, at the next AGM and will not seek re election, unless requested by the Board to do so.

Chairman and Chief Executive Officer (CEO)
The Chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior executives.

At this point in time the same individual, Mr. David Burton, carries out these roles. Mr. Burton is also founder and the majority shareholder of Compumedics.

Commitment
The Board held 7 Board meetings.

Non-executive directors are expected to spend at least 40 days a year preparing for and attending Board and committee meetings and associated activities.

The number of meetings of the Company's Board of directors and of each Board committee held during the year ended 30 June 2015, and the number of meetings attended by each director is disclosed on page 6.

It is the Company's practice to allow its executive directors to accept appointments outside the Company with prior written approval of the Board. No appointments of this nature were accepted during the year ended 30 June 2015.

The commitments of non-executive directors are considered prior to the directors' appointment to the Board of the Company and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Conflict of interests
Entities connected with Mr Alan Anderson had business dealings with the consolidated entity during the year, as described in note 24 to the financial statements. In accordance with the Board charter, the directors concerned declared their interests in those dealings to the Company and took no part in decisions relating to them or the preceding discussions. In addition, those directors did not receive any papers from the Group pertaining to those dealings.

Independent professional advice
Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Performance assessment
The Chairman, with the participation of the Board members, undertakes a semi-annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment. The last assessment was undertaken during the period ended June 2014.

Corporate reporting
The CEO and CFO have made the following certifications to the Board:

- that the Group's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Board committees
The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the remuneration and audit committees. The audit committee and remuneration committees are chaired by a non-executive director. The committee structure and membership is reviewed on an annual basis. A policy of rotation of committee members applies.

Each committee is developing its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate, commensurate with the current size of the Company and the main Board of Directors for the Company.

Minutes of committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees currently being developed.

Due to the size of the Company a nomination committee has not been established at this time.

Remuneration committee

The remuneration committee consists of the following non-executive directors:

A Anderson (Chairman)
and the following executive directors:
D Burton
D Lawson

Details of these directors' attendance at remuneration committee meetings are set out in the directors' report on page 6.

The remuneration committee operates in accordance with its draft charter. The remuneration committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Committee members receive regular briefings from an external remuneration expert on recent developments on remuneration and related matters.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description is reviewed by the remuneration committee on an annual basis and, where necessary, is revised in consultation with the relevant employee.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading "Remuneration report" and note 24 to the financial statements.

The committee also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Audit committee

The audit committee consists of the following non-executive director:

A Anderson (Chairman)
and the following executive directors: D Burton and D Lawson

Details of the director's qualifications and attendance at audit committee meetings are set out in the directors' report on pages 4-6.

The audit committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The audit committee operates in accordance with a charter that is being developed. The main responsibilities of the committee are to:

- review, assess and approve the annual report, the half-year financial report and all other financial information published by the Company or released to the market
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
    - effectiveness and efficiency of operations
    - reliability of financial reporting
    - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance
- consider the independence and competence of the external auditor on an ongoing basis
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence
- review and monitor related party transactions and assess their propriety

- report to the Board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit committee:

- receives regular reports from management and the external auditors
- meets with the external auditors at least twice a year, or more frequently if necessary
- reviews the processes the CEO and CFO have in place to support their certifications to the Board
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved
- provides the external auditors with a clear line of direct communication at any time to either the Chairman of the audit committee or the Chairman of the Board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The Company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Hayes Knight Audit were appointed as the external auditors at the annual general meeting in October 2013.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 25 to the financial statements. The external auditors provide an annual declaration of their independence to the Board.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Risk assessment and management

The Board, through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority.

Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Code of Conduct

The Company is developing a statement of values and a Code of Conduct (the Code), which has been fully endorsed by the Board and applies to all directors and employees. The Code will be regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The purchase and sale of Company securities by directors and employees is only permitted during the thirty-day period following the release of the half-yearly, the preliminary annual financial results to the market and the Annual Report to market. Any transactions undertaken must be notified to the Company Secretary in advance.

The Code and the Company trading policy is discussed with each new employee as part of their induction training and all employees are asked to sign an annual declaration confirming their compliance.

The Code requires employees who are aware of unethical practices within the Group or breaches of the Company's trading policy to report these through the Chief Financial Officer or the Chief Executive Officer.

The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

Continuous disclosure and shareholder communication

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's web-site as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders receive a copy of the Company's annual and regular investor newsletter.

Diversity policy

The Corporate Governance Principles and Recommendations include that a Company has a formal diversity Policy. The Company will, during the next reporting period, establish and implement a diversity policy, which will include, but not be limited to, gender, age, ethnicity and cultural background of the Board and Key Management Personnel. The Company will set measurable objects to measure the achievement of the diversity policy, and introduce procedures to ensure its proper implementation. An internal review will be conducted annually to assess the effective of the policy and its implementation procedures.

Share Trading Policy

The Company has issued a share trading policy, which was lodged with the ASX in December of 2010. The intent of this share trading policy is to preserve the reputation and integrity of Compumedics so as to ensure when people associated with Compumedics deal in securities of the Companythose dealings are not only fair but are seen to be fair.

As such the general scheme of the share trading policy regarding allowable dealings by employees and Directors in Compumedics securities is that person should:

1 never engage in short-term trading of Compumedics securities

2 not deal in Compumedics securities while in possession of price sensitive information

3 notify the Company Secretary of any material intended transactions involving the Company’s securities; and

4 restrict their buying and selling of Compumedics securities to within the specified “trading window”.

Financial Statements – 30 June 2015

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

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

Compumedics Limited
30-40 Flockhart Street
Abbotsford VIC 3067
Australia

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

The financial report was authorised for issue by the directors on 30 September 2015. The Company has the power to amend and reissue the financial report.

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

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	Notes	Consolidated 2015 $'000	2014 $'000
Revenue			
Sale of goods	5	33,495	30,841
		33,495	**30,841**
Other income	6	767	901
Expenses			
Cost of sales		(15,453)	(14,554)
Administration		(4,565)	(4,603)
Sales and marketing		(6,801)	(5,844)
Research and development	7	(4,757)	(5,158)
Finance costs	7	(675)	(611)
Profit before income tax		**2,011**	**972**
Income tax expense	8	(41)	(63)
Net profit		**1,970**	**909**
Other comprehensive income:			
Will be reclassified subsequently to profit and loss when specific conditions are met.			
Foreign currency translation		136	(100)
Other comprehensive income/(loss) for the year,		136	(100)
Tax impact of other comprehensive income/(loss)		-	-
Total comprehensive income for the year		**2,106**	**809**
Profit is attributable to:			
Equity holders of Compumedics Limited		**2,106**	**809**
Total comprehensive income for the year is attributable to:			
Equity holders of Compumedics Limited		**2,106**	**809**
		Cents	**Cents**
Earnings / (loss) per share for profit (loss) attributable to the ordinary equity holders of the Company:			
Basic earnings / (loss) per share	34	1.2	0.54
Diluted earnings / (loss) per share	34	1.2	0.54

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

Statement of Financial Position

As at 30 June 2015

		Consolidated	
		2015	**2014**
	Notes	**$'000**	**$'000**
ASSETS			
Current assets			
Cash and cash equivalents	9	2,230	1,054
Trade and other receivables	10	10,259	8,749
Inventories	11	5,719	6,145
Total current assets		**18,208**	**15,948**
Non-current assets			
Property, plant and equipment	12	797	672
Intangible assets	13	2,670	2,902
Total non-current assets		**3,467**	**3,574**
Total assets		**21,675**	**19,522**
LIABILITIES			
Current liabilities			
Trade and other payables	14	4,172	4,601
Borrowings	15	2,002	2,018
Provisions	16	2,585	2,310
Deferred revenue	17	1,388	1,276
Income tax payable	8	60	39
Total current liabilities		**10,207**	**10,244**
Non-current liabilities			
Borrowings	18	-	-
Provisions	19	11	31
Deferred revenue	20	189	85
Total non-current liabilities		**200**	**116**
Total liabilities		**10,407**	**10,360**
Net assets		**11,268**	**9,162**
EQUITY			
Contributed equity	21	31,269	31,269
Reserves	22(a)	(559)	(695)
Accumulated losses	22(b)	(19,442)	(21,412)
Total equity		**11,268**	**9,162**

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

Statement of Changes in Equity

For the year ended 30 June 2015

	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000
At 1 July 2013	**31,269**	**(595)**	**(22,321)**	**8,353**
Profit for the year	-	-	909	909
Other comprehensive income / (loss)	-	(100)	-	(100)
Total comprehensive income/(loss) for the year	-	**(100)**	**909**	**(809)**
Transactions with owners in their capacity as owners:				
New shares issued	-	-	-	-
At 30 June 2014	**31,269**	**(695)**	**(21,412)**	**9,162**
At 1 July 2014	**31,269**	**(695)**	**(21,412)**	**9,162**
Profit for the year	-	-	1,970	1,970
Other comprehensive income	-	136	-	136
Total comprehensive income for the year	-	**136**	**1,970**	**2,106**
Transactions with owners in their capacity as owners:				
New shares issued	-	-	-	-
At 30 June 2015	**31,269**	**(559)**	**(19,442)**	**11,268**

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

Statement of Cash Flows

For the year ended 30 June 2015

	Notes	Consolidated 2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		32,721	31,564
Payments to suppliers and employees (inclusive of goods and services tax)		(30,603)	(30,959)
Interest and other costs of finance paid		(675)	(611)
Income tax paid		(12)	(212)
Receipts from other income		771	904
Net cash inflow from operating activities	33	**2,202**	**686**
Cash flows from investing activities			
Purchase of property, plant and equipment		(393)	(285)
Purchase of intangible assets		(887)	(415)
Net cash outflow from investing activities		**(1,280)**	**(700)**
Cash flows from financing activities			
Proceeds from borrowings		1,316	506
Repayment of borrowings		(782)	(706)
Proceed from issue of shares		-	-
Net cash inflow/(outflow) from financing activities		**534**	**(200)**
Net increase/(decrease) in cash and cash equivalents		1,456	(214)
Cash and cash equivalents at the beginning of the financial year		(319)	(105)
Effects of exchange rate changes on cash and cash equivalents		213	-
Cash and cash equivalents at end of year	9	**1,350**	**(319)**

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

Notes to the Financial Statements

For the year ended 30 June 2015

1. Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

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

Going Concern and funding facilities

During the year ended 30th June 2015 the Group reported a profit after tax of $2.0m and net positive cash flow from operations of $2.2m.

The Group has continued with BIBBY Financial Services (Australia) Pty Ltd (BIBBY) during the current financial year as its primary working capital provider. As the facility provided by BIBBY is an invoice financing facility, the availability of funding under the invoice financing facility is dependent upon BIBBY's acceptance of invoices as being available for funding.

During the financial year the Group sought and received additional funding via the Export Finance and Investment Corporation (EFIC), a entity of the Australian Government, in conjunction with the ANZ Bank. This has provided the group with up to an additional USD1.0m of short-term lending specifically for funding the manufacturing process as it relates to specific export business of the Group.

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

(b) Principles of consolidation

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Compumedics Limited ("Group") as at 30 June 2015 and the results of all subsidiaries for the year then ended. Compumedics Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

1. Summary of significant accounting policies (continued)

The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries.

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

(c) Operating segments

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

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

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

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

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

(d) Foreign currency translation

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

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

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to foreign currency translation reserve. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in profit or loss, as part of the gain or loss on sale where applicable.

1. Summary of significant accounting policies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised for the major business activities as follows:

(i) Sale of goods
This is typically for the sale of diagnostic systems, including hardware and software. Revenue is recognised on the sale of goods when ownership of the asset sold has been transferred so that risks and reward have passed to the buyer.

(ii) Services
This is typically for technical support contracts post the sale and installation of the diagnostic systems. Revenue is recognised on the sale of services on a straight-line basis over the life of the contract for which the Group has an obligation to perform services pursuant to the contract.

(f) Income tax

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

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

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

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

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

1 Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 12). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows

1. Summary of significant accounting policies (continued)

which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

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

(j) Trade receivables

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

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

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

(k) Inventories

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

(l) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

(m) Property, plant and equipment

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

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

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

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

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

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

(n) Intangible assets

Research and development
Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development.

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

(o) Trade and other payables

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

(p) Borrowings

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

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial

1. Summary of significant accounting policies (continued)

liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

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

(q) Borrowing costs

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

Borrowing costs include:

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

(r) Provisions

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

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

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

(s) Employee benefits

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

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

(iii) Share-based payments
Share-based compensation benefits, if applicable, are provided to employees via the Compumedics Employee Option Plan. Information relating to these schemes is set out in note 28.

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

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

1. Summary of significant accounting policies (continued)

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

(iv) Termination benefits

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

(t) Contributed equity

Ordinary shares are classified as equity.

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

(u) Dividends

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

(v) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(w) Rounding of amounts

The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(x) Reclassifications

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

(y) New accounting standards and interpretations

The following standards and interpretations have been issued by the AASB but are not yet effective for the year ended 30 June 2015

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
AASB 9 *Financial Instruments (December 2014)* [Also refer to AASB 2013-9 and AASB 2014-1 below]	*AASB 139 Financial Instruments: Recognition and Measurement*	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are: (a) Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. (d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI') • The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit	1 January 2018	The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018.

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
		losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.		
AASB 14 *Regulatory Deferral Accounts*	None	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP. Accordingly, an entity that applies AASB 14 may continue to apply its previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of its regulatory deferral account balances. This exemption is not available to entities who already apply Australian Accounting Standards	1 January 2016	*When AASB 14 becomes effective for the first time for the year ending 30 June 2017, it will not have any impact on the entity.*
AASB 15 *Revenue from Contracts with Customers*	AASB 118 *Revenue* AASB 111 *Construction Contracts* Int. 113 *Customer Loyalty Programmes* Int. 115 *Agreements for the Construction of Real Estate* Int. 118 *Transfer of Assets from Customers*	AASB 15: • Replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations: • Establishes a new revenue recognition model • Changes the basis for deciding whether revenue is to be recognised over time or at a point in time • Provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing) • Expands and improves disclosures about revenue In May 2015, the AASB issued ED 260 *Income of Not-for-Profit Entities*, proposing to replace the income recognition requirements of AASB 1004 *Contributions* and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED is open for comment until 14 August 201	1 January 2017	*The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2018.*
AASB 2014-1 *Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14)*	None	Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14.	1 January 2016	When these amendments are first adopted for the year ending 30 June 2017, they are unlikely to have any significant impact on the entity
AASB 2014-1 *Amendments to Australian Accounting Standards (Part E: Financial Instruments)*	None	Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 *Financial Instruments* to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 *Hedge Accounting* into AASB 9	1 January 2015	*Refer to the section on AASB 9 above.*

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
		and to amend reduced disclosure requirements for AASB 7 *Financial Instruments: Disclosures* and AASB 101 *Presentation of Financial Statements*.		
AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*	None	The amendments to AASB 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB 3 *Business Combinations*, should: • Apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e., the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and • Provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.	1 January 2016	*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.*
AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*	None	The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment. The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e., a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances: (i) The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or (ii) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.	1 January 2016	*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.*
AASB 2014-5 *Amendments to Australian Accounting*	None	AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15.	1 January 2017	*Refer to the section on AASB 15 above.*

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
Standards arising from AASB 15				
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*	None	AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.	1 January 2018	*Refer to the section on AASB 9 above.*
AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)*	None	AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 [December 2009] and AASB 9 [December 2010]) from 1 February 2015.	1 January 2015	*Refer to the section on AASB 9 above.*
AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*	None	The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.	1 January 2016	*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.*
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	None	The amendments address a current inconsistency between AASB 10 *Consolidated Financial Statements* and AASB 128 Investments in Associates and Joint Ventures (2011). The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 *Business Combinations*. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business. This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is	1 January 2016	*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.*

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after ...)	Likely impact on initial application
		accounted for using the equity method. Corresponding amendments have also been made to AASB 128 (2011).		
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	None	These amendments arise from the issuance of *Annual Improvements to IFRSs 2012-2014 Cycle* in September 2014 by the IASB. Among other improvements, the amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of AASB 5.	1 January 2016	*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.*
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	None	The amendments: • Clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information • Clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated • Add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position • Clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order • Remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.	1 January 2016	*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.*

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

2. Financial risk management

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

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

(a) Market risk

(i) Foreign currency risk

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

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

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

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

	30 June 2015		30 June 2014	
	USD $'000	Euro $'000	USD $'000	Euro $'000
Financial assets				
Cash and cash equivalents	1,020	352	581	116
Trade receivables	4,980	1,972	4,024	2,131
Financial liabilities				
Bank Loans	(153)	(161)	-	-
Trade payables	(1,529)	(653)	(1,383)	(985)
Net exposure	**4,318**	**1,510**	**3,222**	**1,262**

Sensitivity analysis

Based on the financial instruments held at 30 June 2015, had the Australian dollar weakened/strengthened by five percent against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have been $0.296m higher / $0.268m lower (2014: $0.180m higher / $0.163m lower), as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. Based on the financial instruments held at 30 June 2015, had the Australian dollar weakened/strengthened by five percent against the EURO with all other variables held constant, the Group's post-tax profit for the year would have been $0.116m higher / $0.105m lower (2014: $0.095m higher / $0.086m lower), as a result of foreign exchange gains/losses on translation of EURO dollar denominated financial instruments as detailed in the above table. The Group and parent entity's exposure to other foreign exchange movements is not material. The Group considers a five percent movement in either the US dollar or the Euro appropriate for the purposes of this sensitivity analysis as historically the Australian dollar has moved in a plus or minus five percent band against the US dollar and the Euro in any given recent financial year.

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

2. Financial risk management (continued)

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

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

(ii) Interest rate risk
As at the reporting date, the Group had the following variable rate borrowings outstanding:

	30 June 2015		30 June 2014	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Consolidated				
Cash and cash equivalents	0.00%	2,230	0.00%	1,054
Bank overdrafts and loans and invoice financing facility	18.38%	2,002	15.14%	2,018

Sensitivity analysis
The Group's overall sensitivity to interest rate movements is, in part, dependent on the underlying profitability of the Group. If the Group delivers profits at the level achieved in the year ended 30 June 2015 then based on 30 June 2015 year end borrowing of $2.0m a plus or minus 2% movement in interest rates (+/- $40,000) would not cause a material change in underlying profitability of the Group.

The Group has adopted a policy of borrowing in Australian dollars with Australian banks and/or other financial institutions as it builds its offshore businesses. When appropriate to do so the Group will seek to evolve its borrowing profile such that borrowings are spread across territories in relation to the business undertaken in those territories.

(b) Credit risk

The Group currently sells goods and services primarily to four major geographic regions being:
- Australia and New Zealand (A & NZ)
- United States of America (USA)
- Europe, the Middle East and Africa (EMEA)
- Asia

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

2. Financial risk management (continued)

(b) Credit risk (continued)

The sale of goods and services to Europe, the Middle East, Africa and Asia are typically made via distributors based in specific countries in Europe (excluding Germany), the Middle East, Africa and Asia. The distributor then on sells the goods to the end user customer in the specific country in Europe, the Middle East, Africa and Asia.

The collectability of receivables within agreed terms is typically better where the goods and services are sold to a direct customer rather than to a distributor.

The Group does not hold any credit derivatives to offset its credit exposure. In February 2013 the Company refinanced its working capital needs with BIBBY Financial Services utilizing an invoice financing facility. Details of which can be found at Note 15. These financing activities do not affect this analysis of credit risk summarised here.

The Group trades only with recognised, creditworthy third parties.

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

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant, despite receivable balances remaining payable beyond terms. The following tables identify accounts receivable at 30 June 2015 and 30 June 2014 identified by debt owed into major region and currency. The aging analysis is presented based on due date of invoice.

Region	Not Due $'000	1 to 29 Days $'000	30 Days $'000	60 Days $'000	90+ Days $'000	Total $'000
2015						
Parent entity (AUD)	879	192	42	20	171	1,304
Parent entity (USD)	1,606	573	242	17	198	2,636
Parent entity (EURO)	97	731	74	0	189	1,091
US subsidiary (USD)	1,352	1,474	114	6	299	3,245
German subsidiary (EURO)	1,281	42	78	8	337	1,746
	5,215	**3,012**	**550**	**51**	**1,194**	**10,022**
Provision	-	(5)	-	-	(453)	(458)
2014						
Parent entity (AUD)	765	319	125	8	8	1,225
Parent entity (USD)	858	440	153	218	651	2,320
Parent entity (EURO)	605	36	22	135	219	1,017
US subsidiary (USD)	1,509	407	93	164	84	2,257
German subsidiary (EURO)	1,642	63	55	2	24	1,786
	5,379	**1,265**	**448**	**527**	**986**	**8,605**
Provision	-	(3)	-	-	(280)	(283)

The table highlights that:

- The collection of cash from the sale of goods and services to direct end user customers as identified by USA (USD) and Parent entity (AUD) accounts receivable usually occurs at or not long after agreed payment terms. Debtors in the 90-day column are 9.2% (2014: 3.7%) and 13.1% (2014: 0.7%) of the total debtors owing in the respective territories. Variations in the 90 day column year-on-year are not significant in absolute dollar terms and do not reflect any deterioration in amounts owing but rather reflect timing issues related to installation and training and the subsequent collection of cash.
- The collection of cash from the sale of goods and services to distributors in Europe, the Middle East, Africa and Asia as represented by Parent entity (USD) accounts receivable usually occur well after agreed payment terms. Debtors in the 90-day column are approximately 7.5% (2014: 28.1%) of the total debtors outstanding in the current year. The Company does not consider these accounts receivable to be at risk of non-payment.

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

2. Financial risk management (continued)

(b) Credit risk (continued)

- The collection of cash from the sale of goods and services in the DWL business, which is primarily via distributors into Europe and Asia typically occurs at or not long after agreed payment terms. Debtors in the 90-day column for DWL represent only 19.3% (2014: 1.4%) of all debtors owed to this business.

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

(c) Liquidity risk

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

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

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

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

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

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

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

The Group refinanced its existing bank debt in February 2013 with BIBBY Financial Services (Australia) Pty Ltd (BIBBY). As the facility provided by BIBBY is an invoice financing facility this was the maximum available under the facility at that point in time.

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

2. Financial risk management (continued)

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

Liquid Financial Assets and Liquid Financial Liabilities

Consolidated	6 months $000	6-12 months $000	1-5 years $000	> 5 years $000	Total $000
Year ended 30 June 2015					
Liquid financial assets					
Cash and cash equivalents	2,230	-	-	-	2,230
Trade and other receivables	10,259	-	-	-	10,259
	12,489	-	-	-	12,489
Financial liabilities					
Trade and other payables	4,172	-	-	-	4,172
Interest bearing loans and borrowings	2,002	-	-	-	2,002
	6,174	-	-	-	6,174
Net inflow / (outflow)	6,315	-	-	-	6,315
Year ended 30 June 2014					
Liquid financial assets					
Cash and cash equivalents	1,054	-	-	-	1,054
Trade and other receivables	8,749	-	-	-	8,749
	9,803	-	-	-	9,803
Financial liabilities					
Trade and other payables	4,601	-	-	-	4,601
Interest bearing loans and borrowings	2,018	-	-	-	2,018
	6,619	-	-	-	6,619
Net inflow / (outflow)	3,184	-	-	-	3,184

3. Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

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

The Group reviews its current cost for installation and training as a percentage of current revenues in determining an appropriate future cost for installation and training obligations that are still to be performed. The Group also reviews its installation and training fees as a percentage of total revenue associated with the purchase of the goods to be installed. Based on current installation and training costs and installation and training fees, as an estimate for future installation and training costs and installation and training fees, 12% (deferral rate) of the total dollar value of all current sales where a future installation and training obligation exists, is deferred until such time as the future installation and training obligations have been extinguished.

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

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

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

(iii) Trade receivables

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

The estimate is based on many factors including:

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

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

(iv) Recoverability of capitalised development costs

The Group did capitalise additional costs of $0.8m (2014: $0.2m) related to the development of the Multi DopX product in the DWL (German) business and the SPAP product. Prior year capitalisations were also related to the SPAP product ($0.2m). The recoverability of these costs is dependant on the commercial success of both these products, which form the basis of the net present value calculations, so that it will generate future economic benefits in excess of the costs capitalised and therefore supports the carrying value of the assets. The Group continued amortisation of these costs in the 2015 financial year with a $0.9m (2014: $0.8m) charge to profit or loss in the current year.

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

(v) Deferred tax asset

The Group does not book a deferred tax asset related to the future benefit of carry forward tax losses, as well as a net deferred tax asset relating to timing differences. The Group believes, at this point in time, whilst it is likely the deferred tax asset is recoverable, given the restoration of profits in the current financial year it is appropriate to not book a deferred tax asset at this time. This will be reviewed again at 31 December 2015 and then 30 June 2016.

4. Operating Segments

(a) Accounting policies and inter-segment transactions

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

Inter-entity sales

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

Corporate charges

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

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

(b) Description of segments

Identification of reportable segments

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

4. Operating Segments (continued)

Geographic locations

America's

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

Australia and Asia Pacific

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

Europe and the Middle East

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

Major Customers

The Group does not have any individual customer that contributes 10% or more to Group revenues in the years ended 30 June 2015 or 30 June 2014.

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

4. Operating Segments (continued)

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

2015	USA $'000	Australia and Asia Pacific $'000	Europe $'000	Group $'000
Revenue				
Sales to external customers	10,715	14,171	8,609	33,495
Intersegment sales	1,190	4,194	491	5,875
Other intersegment revenue	-	88	1,379	1,467
Total segment revenue	**11,905**	**18,453**	**10,479**	**40,837**
Intersegment elimination	(1,190)	(4,282)	(1,870)	(7,342)
Total revenue	**10,715**	**14,171**	**8,609**	**33,495**
Segment Result	**(1,086)**	**4,208**	**956**	**4,078**
Other income				-
Depreciation and amortisation				(1,392)
Net interest expense				(675)
Net Profit before income tax per the Statement of Profit or Loss and Other Comprehensive Income				**2,011**
Segment Assets	**5,091**	**35,159**	**6,076**	**46,326**
Intersegment elimination	(9)	(24,578)	(64)	(24,651)
Total assets per the Statement of Financial Position	5,082	10,581	6,012	21,675
Acquisition of property plant & equipment	**297**	**17**	**173**	**487**

Sales within Australia for 2015 were $5.3m

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

4. Operating Segments (continued)

2014	USA	Australia and Asia Pacific	Europe	Group
	$'000	$'000	$'000	$'000
Revenue				
Sales to external customers	9,523	11,808	9,510	30,841
Intersegment sales	610	1,719	95	2,424
Other intersegment revenue	-	91	1,100	1,191
Total segment revenue	**10,133**	**13,618**	**10,705**	**34,456**
Intersegment elimination	(610)	(1,810)	(1,195)	(3,615)
Total revenue	**9,523**	**11,808**	**9,510**	**30,841**
Segment Result	**(775)**	**1,775**	**1,101**	**2,101**
Other income				901
Depreciation and amortisation				(1,419)
Net interest expense				(611)
Net loss before income tax per the Statement of Profit or Loss and Other Comprehensive Income				**972**
Segment Assets	**3,166**	**29,092**	**5,665**	**37,923**
Intersegment elimination	(10)	(18,327)	(64)	(18,401)
Total assets per the Statement of Financial Position	3,155	10,765	5,600	19,522
Acquisition of property plant & equipment	**17**	**51**	**168**	**236**

Sales within Australia for 2014 were $5.3m

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

5. Revenue

	Consolidated	
	2015	2014
	$'000	$'000
Sales revenue		
Sale of goods	30,699	28,167
Services	2,796	2,674
	33,495	**30,841**

6. Other income

Other income	**767**	**901**

Other income relates to sub-lease rental income in Melbourne and other items not directly related to the main operating activities of the Group.

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

7. Expenses

	Consolidated 2015 $'000	2014 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	295	314
Total depreciation	**295**	**314**
Amortisation		
Intangible asset	1,079	1,133
Finance costs		
Interest and finance charges paid/payable	675	611
Rental expense relating to operating leases		
Minimum lease payments	872	684
Foreign exchange (gains) and losses (a)	(232)	(19)
Employee benefits		
Payroll expense including leave payments	11,056	12,059
Superannuation entitlements	512	555
	11,568	**12,614**
Research and development expenditure	4,757	5,158
Current receivables – movement in impairment provision	175	(660)
Inventory – write down / (recovery):	(589)	168

(a) Foreign exchange gains and losses

Net foreign exchange gains of $0.232m (2014: $0.019m) were primarily related to trading transactions and included in Administration and Research and Development expense lines.

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

8. Income tax expense / (benefit)

	Consolidated	
	2015	2014
	$'000	$'000
(a) Income tax expense		
Current income tax charge	41	63
Deferred income tax	-	-
Income tax reported in the statement of profit or loss and other comprehensive income	**41**	**63**
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit / (Loss) before income tax expense as reported in the statement of profit or loss and other comprehensive income	1,970	972
Profit/(Loss) before income tax subject to Australian income tax	1,970	972
Tax (benefit) at the Australian tax rate of 30% (2014 - 30%)	591	292
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible expenses	3	4
Research and development	(306)	(346)
Deferred tax asset not brought to account	(247)	113
Income tax expense reported in the statement of profit or loss and other comprehensive income	**41**	**63**
(c) Provision for income tax – current		
Estimated income tax payable in Compumedics Germany GmbH	60	39

At balance date the Group estimates there is a deferred tax liability of $0.6m (2014 $0.9m), related to the intangible assets, which has been fully offset by the deferred tax asset in relation to tax losses in Australia not recognised, with a value of $2.2m (2014 $2.4m). In addition, the Group estimates a deferred tax asset exists in relation to tax losses in the USA of $4.9m (2014 $3.5m), which is not recognised.

The benefit of tax losses will be obtained if:

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

(d) Tax consolidation legislation

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

9. Current assets – Cash and cash equivalents

	Consolidated 2015 $'000	Consolidated 2014 $'000
Cash at bank and in hand	2,230	1,054

Included in cash on hand is restricted cash amounting to $0.2m. This relates to security for the rental bond on the offices the Company occupies in Melbourne and for security regarding the corporate credit cards used in the US.

Reconciliation to Statement of Cash Flows
For the purposes of the statement of cash flow, cash and cash equivalents comprise the following at 30 June

	2015 $'000	2014 $'000
Cash at bank and in hand	2,230	1,054
Bank overdrafts / invoice financing facility (note 15)	(880)	(1,373)
Balances per Statement of Cash Flows	**1,350**	**(319)**

10. Current assets – Trade and other receivables

	Consolidated 2015 $'000	Consolidated 2014 $'000
Trade receivables	10,022	8,605
Allowance for impairment loss (a)	(458)	(283)
	9,564	**8,322**
Other receivables/prepayments	695	427
Related party receivables:		
Loans to key management personnel	-	-
	10,259	**8,749**

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

	2015	2014
At 1 July	283	943
Provision for impairment recognised during the year	199	56
Receivables written off during the year as uncollectible	(24)	(716)
	458	**283**

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

10. Current assets – Trade and other receivables (continued)

Past due but not impaired

As of 30 June 2015, trade receivables of $4,350,622 (2014 - $2.942m) were past due but not impaired. These relate to a number of independent customers and distributors for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated 2015 $'000	2014 $'000
Up to 3 months	3,609	2,235
3 to 6 months	382	456
Over 6 months	360	251
	4,351	**2,942**

Fair value and credit risk

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

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

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

11. Current assets - Inventories

The provision for stock obsolescence was decreased during the year ended 30 June 2015 by $0.6m as a result of the Group recognising provision against specific inventory items. These activities have led the Group to adjust the provision for stock obsolescence to reflect the recoverable value of the inventory on hand at 30 June 2015.

	Consolidated 2015 $'000	2014 $'000
Raw materials and stores (at cost)	4,233	4,653
Work in progress (at cost)	902	857
Finished goods (at net realisable value)	2,132	2,772
Provision for obsolescence	(1,548)	(2,137)
Total inventories at the lower of cost and net realisable value	**5,719**	**6,145**

(a) Inventory expense

Inventories recognised as an expense during the year ended 30 June 2015 amounted to $11,955,733 (2014: $9,411,664).

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

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

Consolidated	Plant and Equipment At Cost $'000	Office Equipment At Cost $'000	Motor Vehicle $'000	Leasehold Improvements $'000	Plant and Equipment Leased $'000	Office Equipment Leased $'000	Total $'000
Year ended 30 June 2014							
Opening net book amount	282	422	34	-	-	-	738
Additions	20	216	-	-	-	-	236
Exchange differences	7	9	-	-	-	-	16
Disposals	-	(4)	-	-	-	-	(4)
Depreciation/amortisation expense	(72)	(241)	(1)	-	-	-	(314)
At 30 June 2014	237	402	33	-	-	-	672
At 30 June 2014							
Cost or fair value	1,259	4,406	228	585	430	571	7,479
Accumulated depreciation	(1,022)	(4,004)	(195)	(585)	(430)	(571)	(6,807)
Net carrying amount	237	402	33	-	-	-	672
Year ended 30 June 2015							
Opening net book amount	237	402	33	-	-	-	672
Additions	390	97	-	-	-	-	487
Exchange differences	1	8	-	-	-	-	9
Disposals	-	(76)	-	-	-	-	(76)
Depreciation/amortisation expense	(109)	(154)	(32)	-	-	-	(295)
At 30 June 2015	519	277	1	-	-	-	797
At 30 June 2015							
Cost or fair value	1,650	4,427	228	585	430	571	7,891
Accumulated depreciation	(1,131)	(4,150)	(227)	(585)	(430)	(571)	(7,094)
Net carrying amount	519	277	1	-	-	-	797
Useful life (years)	6	3	3	-	6	3	

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

13. Non-current assets - Intangible assets

Consolidated	Development costs $'000	Total $'000
Year ended 30 June 2014		
At 1 July 2013	**3,454**	**3,454**
Additions	581	581
Impairment charge	-	-
Amortisation charge	(1,133)	(1,133)
At 30 June 2014	**2,902**	**2,902**
At 30 June 2014		
Cost*	6,520	6,520
Accumulated amortisation** and impairment	(3,618)	(3,618)
Net carrying amount	**2,902**	**2,902**
Year ended 30 June 2015		
At 1 July 2014	**2,902**	**2,902**
Additions	847	847
Impairment charge	-	-
Amortisation charge	(1,079)	(1,079)
At 30 June 2015	**2,670**	**2,670**
At 30 June 2015		
Cost*	7,367	7,367
Accumulated amortisation** and impairment	(4,697)	(4,697)
Net carrying amount	**2,670**	**2,670**

* Relates to capitalised development costs being an internally generated intangible asset
** Amortisation of $1,079,000, (2014 - $1,133,000) is included in depreciation and amortisation expense in profit or loss. The remaining amortisation period for the SPAP sleep-treatment device (Net Carrying Amount is approximately $2.2m at 30th June 2015) is approximately 1.5 years.

14. Current liabilities - Trade and other payables

	Consolidated 2015 $'000	Consolidated 2014 $'000
Trade payables	2,928	3,353
Other payables	1,244	1,248
	4,172	**4,601**

(a) Foreign currency risk

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

15. Current Liabilities - Borrowings

	Consolidated	
	2015 $'000	2014 $'000
Secured		
Invoice financing facility (BIBBY)	880	1,373
Unsecured		
Other loans	1,107	606
Lease liabilities (note 27)	15	39
Total Current Borrowings	**2,002**	**2,018**

Bank and Other Funding Facilities
The Company utilises an invoice finance facility provided by BIBBY Financial Services (Australia) Pty Ltd. The facility has a limit of $2.0m and is dependent on the volume and type of invoices presented on an on-going basis in order to fully utilise the facility limit. The Company has transactional banking facilities and credit cards with National Australia Bank (NAB). The Group also put in place a USD1.0m Export Working Capital Guarantee provided by Export Financing and Investment Corporation (EFIC) in conjunction with the Australia and New Zealand Bank (ANZ). This facility has a 12 month life and commenced December 2014.

(a) Risk exposures

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

(b) Fair value disclosures

No borrowings are readily traded on organised markets.

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

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

The total secured liabilities are as follows:

	Consolidated	
	2015 $'000	2014 $'000
Invoice financing and other loans	1,672	1,373
Lease liabilities – current	15	39
Total secured liabilities	**1,687**	**1,412**
Assets specifically secured against the invoice financing facility and not derecognised for reporting purposes	7,739	6,638

The invoice financing facilities are secured by a Corporate Guarantee and Indemnity unlimited as to amount and a Mortgage Debenture over all the assets and undertaking of the Company and subsidiaries: Compumedics Telemed Pty Ltd, Compumedics Cardiology Pty Ltd, Compumedics Medical Innovation Pty Ltd, Compumedics USA Inc, Compumedics Germany GmbH and Compumedics Singapore Pte Ltd.

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

The Group has utilised an invoice-financing facility, provided by BIBBY Financial Services (Australia) Pty Ltd (BIBBY), as its main source of working capital finance. The funding provided by BIBBY under this facility is specifically secured against individual invoices presented by the Group from time to time. Under that facility the Company maintains the risks associated with account receivable due to the Company, but is obliged to provide those funds to BIBBY where BIBBY have advanced funds against the invoice. As such the Group continues to recognise accounts receivable to it and to separately disclose funds owed to BIBBY.

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

15. Current Liabilities – Borrowings (continued)

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

	Notes	Consolidated 2015 $'000	2014 $'000
Current			
Floating charge			
Cash and cash equivalents	9	2,230	1,054
Receivables	10	10,259	8,749
Inventories	11	5,719	6,145
Total current assets pledged as security		**18,208**	**15,948**
Non-current			
Floating charge			
Property, plant and equipment	12	797	672
Total non-current assets pledged as security		**797**	**672**
Total assets pledged as security		**19,005**	**16,620**

(d) Forward exchange contracts

As at 30 June 2015 and 30 June 2014 there were no outstanding forward exchange contracts.

(e) Financing arrangements

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

	Consolidated 2015 $'000	2014 $'000
Credit standby arrangements		
Total facility		
Invoice financing facility	2,000	2,000
EWCG - EFIC	1,302	-
Overdraft – DWL	291	-
Fixed term borrowings	330	606
	3,923	**2,606**
Used at reporting date		
Invoice financing facility	880	1,373
EWCG - EFIC	791	-
Overdraft - DWL	233	-
Fixed term borrowings	330	606
	2,234	**1,979**
Unused at reporting date		
Invoice financing facility	1,120	627
EWCG _ EFIC	511	-
Overdraft - DWL	58	-
Fixed term borrowings	-	-
	1,689	**627**
Loan / funding facilities		
Total facilities	3,923	2,606
Used at reporting date	2,234	1,979
Unused at reporting date	**1,698**	**627**

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

15. Current Liabilities – Borrowings (continued)

The Group had funding facilities totalling $3.9million (including short-term shareholder loans of $0.315m) at 30 June 2015. Access to the invoice financing facility is dependent on the volume and type of invoices presented such that the amount accessible is less than the facility limit.

(f) Derivative instruments

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

16. Current liabilities - Provisions

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Employee benefits	2,216	1,958
Service warranties (note 16(a))	369	352
	2,585	**2,310**

(a) Service warranties

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

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

(b) Movements in provisions

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

	Service warranties
	$'000
Current	
Carrying amount at start of year	352
Charged/(credited) to profit or loss	
- additional provisions recognised	17
- unused amounts reversed	-
Carrying amount at end of year	**369**

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

17. Current liabilities - Deferred income

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Current		
Deferred income	1,388	1,276

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

18. Non-current liabilities - Borrowings

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Secured		
Lease liabilities (note 27)	-	-
	-	**-**

(a) Foreign currency and interest rate risk

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

19. Non-current liabilities – Provisions

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Employee benefits	11	31

20. Non-current liabilities - Deferred income

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Deferred income	189	85

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

21. Contributed equity

	Consolidated		Consolidated	
	2015 Shares	2014 Shares	2015 $'000	2014 $'000
(a) Share capital				
Ordinary shares				
Fully paid	166,885,170	166,885,170	31,269	31,269

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
30 June 2013	Balance	166,885,170		31,269
30 June 2014	Balance	166,885,170		31,269
30 June 2015	Balance	166,885,170		31,269

(c) Ordinary shares

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

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

The ordinary shares have no par value.

(d) Other equity securities

There are no other equity securities issued at this time.

(e) Capital management

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

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

Management has no current plans to issue further shares on the market.

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

21. Contributed equity (continued)

(e) Capital management (continued)

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Total borrowings	**2,002**	**2,018**
Less cash and cash equivalents	2,230	1,054
Net (cash) / debt	(228)	964
Total equity	**11,268**	**9,162**
Total funding	**11,040**	**10,126**
Gearing ratio	**(2.1)%**	**9.5%**

22. Reserves and accumulated losses

	Consolidated	
	2015	**2014**
	$'000	**$'000**
(a) Reserves		
Foreign currency translation reserve	(559)	(695)
	(559)	**(695)**
(b) Accumulated losses		
Movements in accumulated losses were as follows:		
Balance 1 July	(21,412)	(22,321)
Net profit / (loss) for the year	1,970	909
Balance 30 June	**(19,442)**	**(21,412)**

(c) Other Reserves

	Consolidated
	Foreign currency translations $'000
Balance as at 1 July 2013	**(595)**
Exchange difference on translation of foreign operation	(100)
At 30 June 2014	**(695)**
Exchange difference on translation of foreign operation	136
At 30 June 2015	**(559)**

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

22. Reserves and accumulated losses (continued)

(d) Nature and purpose of reserves

Foreign currency translation reserve

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

23. Dividends

Ordinary shares

The directors have not declared a dividend in the current financial year (2014: Nil).

24. Key management personnel disclosures

(a) Directors

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

(i) *Chairman and Executive director*
Dr David Burton, Chief Executive Officer

(ii) *Executive Director and Chief Financial Officer*
Mr David Lawson

(iii) *Non-executive director*
Mr Alan Anderson

(b) Other key management personnel

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

Name	***Position***	***Employer***
Warwick Freeman^	Chief Technology Officer	Compumedics Limited
Kerry Hubick^	Legal Counsel & Patent Attorney	Compumedics Limited
Christoph Witte^	Managing Director, DWL	Compumedics Germany GmbH

^ The above persons were also key management persons during the year ended 30 June 2014.

(c) Key management personnel compensation

	Consolidated	
	2015	**2014**
	$	**$**
Short-term employee benefits	1,147,050	1,162,795
Post-employment benefits	80,493	79,537
Long-term benefits	12,657	11,859
Share-based payments	-	-
	1,240,200	**1,254,191**

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

24. Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel

(i) Option holdings

There were no options provided as remuneration during the current or prior year. No options over ordinary shares were held by KMP's at 30 June 2015 and 30 June 2014.

(ii) Share holdings

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

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
2015				
Directors of Compumedics Limited				
Ordinary shares				
David Burton and/or associated entities	100,822,097	-	-	100,822,097
Alan Anderson	89,655	-	-	89,655
David Lawson	4,346,650	-	-	4,346,650
Other key management personnel of the Group				
Ordinary shares				
Warwick Freeman	82,000	-	-	82,000
Kerry Hubick	1,180,065	-	-	1,180,065
Christoph Witte	-	-	-	-
2014				
Directors of Compumedics Limited				
Ordinary shares				
David Burton and/or associated entities	100,822,097	-	-	100,822,097
Alan Anderson	89,655	-	-	89,655
David Lawson	4,346,650	-	-	4,346,650
Other key management personnel of the Group				
Ordinary shares				
Warwick Freeman	82,000	-	-	82,000
Kerry Hubick	1,180,065	-	-	1,180,065
Christoph Witte	-	-	-	-

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

24. Key management personnel disclosures (continued)

(e) Other transactions with key management personnel

David Burton is a Director and shareholder of Intellirad Solutions Pty Ltd. Expenses have been paid by Compumedics on behalf of Intellirad Solutions Pty Ltd. These have been reimbursed in full.

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

A Director, Alan Anderson, is a partner in the American legal firm of Alan Anderson Legal Firm, prior to this he was a partner of Briggs & Morgan. This firm is based in the US and has provided legal services to Compumedics Limited and certain of its controlled entities during the year on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with key management personnel of the Group:

	2015 $	2014 $
Amounts recognised as expense		
Legal fees	1,814	6,438

There was a $107k (USD100k) loan from A. Anderson, a Director of the Company, to the Company. The loan carries interest payable at the rate of 15% pa paid quarterly. USD50k of the loan was repaid by June 10th 2015, with the remaining USD50k repaid early September 2015. At the date of this report the loan, together with any interest owing has been repaid in full.

25. Remuneration of auditors

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

	Consolidated	
	2014 $	2014 $
(a) Audit services		
Hayes Knight Audit Pty Ltd		
Audit and review of financial reports under the Corporations Act 2001	105,000	110,000
Total remuneration for audit services	**105,000**	**110,000**
(b) Non-audit services		
Taxation services		
Tax compliance services	31,400	29,900
Total remuneration for taxation services	**31,400**	**29,900**
	136,400	**139,900**

26. Contingencies

(a) Contingent liabilities

Consolidated entity had no contingent liabilities at 30 June 2015 (2014: None).

(b) Contingent assets

Consolidated entity had no contingent assets at 30 June 2015 (2014: None).

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

27. Commitments

(i) Operating leases

The Group leases its office facilities in Melbourne, Charlotte (US), Hamburg and Singen Germany. These leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the leases are renegotiated.

	Consolidated 2015 $'000	2014 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	929	732
Later than one year but not later than five years	629	557
Commitments not recognised in the financial statements	**1,558**	**1,289**
Other leases		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of rental properties	15	39
(ii) Finance leases		
Within one year	15	39
After one year but not more than five years	-	-
Total minimum lease payments	**15**	**39**

28. Share-based payments

(a) Employee Option Plan

The Group did not have any share-based payments in the full year ended 30 June 2015.

29. Related party transactions

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 31.

(c) Key management personnel

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

29. Related party transactions (continued)

(d) Transactions with related parties

Transactions between Compumedics Limited and other entities in the wholly owned group during and as at the years ended 30 June 2015 and 2014 consisted of:

	Consolidated	
	2015 $	2014 $
Purchase of legal services from Alan Anderson Law Firm	1,814	6,438
Licence fee for a non-exclusive licence for certain intellectual property (the Licenced Rights) to D & DJ Burton Holdings Pty Ltd, an entity related to D Burton	252,821	252,821

A Director, Alan Anderson, is a partner in the American legal firm of Alan Anderson Legal Firm; prior to this he was a partner of Briggs & Morgan.

The Chairman and CEO fees are paid to D&DJ Burton Holdings Pty Ltd.

(e) Loans to/from related parties

There was a $107k (USD100k) loan from A. Anderson, a Director of the Company, to the Company. The loan carries interest payable at the rate of 15% pa paid quarterly. USD50k of the loan was repaid by June 10th 2015, with the remaining USD50k repaid early September 2015. At the date of this report the loan, together with any interest owing has been repaid in full.

There are two other loans with shareholders but neither shareholder is a significant shareholder of the Company.

(f) Guarantees

No guarantees have been given or received from related parties.

(g) Terms and conditions

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

30. Parent Entity Information

	2015 $'000	2014 $'000
Information relating to Compumedics Limited:		
Current assets	9,951	8,302
Total assets	12,494	11,138
Current liabilities	5,664	6,014
Total liabilities	5,675	6,045
Contributed Equity	31,269	31,269
Reserves	-	-
Accumulated losses	(24,449)	(26,176)
Total shareholders equity	**6,819**	**5,093**
Profit or loss of the parent entity	2,876	1,776
Total comprehensive income (loss) of the parent entity	1,727	(142)

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

The invoice-financing facilities are secured by a Corporate Guarantee and Indemnity unlimited as to amount and a Mortgage Debenture over all the assets and undertaking of the parent entity, Compumedics Limited and its subsidiaries. Further details are at Note 15.

31. Subsidiaries

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

	Country of incorporation	Class of shares	Equity holding 2015 %	Equity holding 2014 %
Compumedics Telemed Pty Ltd	Australia	Ordinary	100	100
Compumedics Medical Innovation Pty Ltd	Australia	Ordinary	92	100
Compumedics Cardiology Pty Ltd	Australia	Ordinary	100	100
Compumedics USA Inc.	USA	Ordinary	100	100
Compumedics Singapore Pte Ltd	Singapore	Ordinary	100	100
Compumedics USA Ltd (formerly Neuroscan Ltd)	USA	Ordinary	100	100
Compumedics Germany GmbH	Germany	Ordinary	100	100
Cardio Sleep Services Inc.	USA	Ordinary	100	100
Compumedics France SAS	France	Ordinary	100	100

32. Events occurring after the reporting date

The Company is not aware of any events occurring after balance date which would materially alter the information presented here.

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

	Consolidated 2015 $	Consolidated 2014 $
Profit/(loss) for the year	1,970	909
Depreciation and amortisation	1,392	1,419
Net exchange differences	(442)	(453)
Change in operating assets and liabilities		
(Increase) decrease in receivables	(1,206)	(446)
(Increase) decrease in inventories	425	(647)
Increase (decrease) in trade payables	(429)	1
Increase (decrease) in deferred revenues	216	5
Increase (decrease) in tax provisions	21	(143)
Increase (decrease) in other provisions	255	84
Net cash inflow (outflow) from operating activities	**2,202**	**729**

Notes to the Financial Statements (continued)

For the year ended 30 June 2015

34. Profit / (Loss) per share

	Consolidated 2015 Cents	Consolidated 2014 Cents
(a) Basic profit / (loss) per share –cents per share		
Profit/(Loss) attributable to the ordinary equity holders of the Company	1.18	0.54
(b) Diluted profit / (loss) per share		
Profit/(Loss) attributable to the ordinary equity holders of the Company	1.18	0.54

(c) Reconciliations of profit/(loss) used in calculating earnings per share

	Consolidated 2015 $'000	Consolidated 2014 $'000
Basic profit/(loss) per share		
Profit / (Loss)	1,970	909
Diluted profit/(loss) per share		
Profit/(Loss) attributable to the ordinary equity holders of the Company used in calculating diluted loss per share	1,970	909
Profit/(Loss) attributable to the ordinary equity holders of the Company used in calculating diluted loss per share	1,970	909

(d) Weighted average number of shares used as the denominator

	Consolidated 2015 Number	Consolidated 2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	166,885,170	166,885,170
Adjustments for calculation of diluted loss per share:		
Convertible loan	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	166,885,170	166,885,170

(e) Information concerning the classification of securities

(i) Convertible loan

During prior periods the Company sought and obtained funding from shareholders as part of meeting its working capital requirements. One hundred and fifty thousand dollars ($150,000) of shareholder loans are convertible into ordinary shares of the Company, at the discretion of the shareholder, when the loan is due for repayment. Based on the agreed exercise price of the conversion of the loan into ordinary shares of the Company, an additional 1,944,444 ordinary shares could be issued to satisfy repayment of the loan and as such have been disclosed here.

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

Directors' Declaration

In the opinion of the directors:

(a) the financial statements and notes set out on pages 22 to 69 are in accordance with the Corporations Act 2001, including:

  (i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2015 and of their performance for the financial year ended on that date; and

  (iii) complying with the International Financial Reporting Standards as disclosed in note 1, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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

David Burton
Director

Melbourne
30 September 2015

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Independent Auditor's Report to the Members of Compumedics Limited

Report on the Financial Report

We have audited the accompanying financial report of Compumedics Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity.

Directors' Responsibility for the Financial Report

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

In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Independent Auditor's Report to the Members of Compumedics Limited

Opinion

In our opinion:

(a) the financial report of Compumedics Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Compumedics Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

Hayes Knight Audit

Hayes Knight Audit Pty Ltd
Melbourne

Geoff S. Parker
Director

Dated this 30 day of September 2015

Additional information required by Australian Stock Exchange Listing Rules and not disclosed elsewhere in this Annual Report; the information presented is at 17 September 2015.

A. Distribution of equity securities

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

		Class of equity security					
		Ordinary shares	Number held	Options	Number held	Redeemable Convertible notes	Number held
100,001	and over	84	151,867,176	-	-	-	-
10,001	- 100,000	344	12,046,839	-	-	-	-
5,001	- 10,000	201	1,685,144	-	-	-	-
1,001	- 5,000	369	1,230,730	-	-	-	-
1	- 1,000	79	55,281	-	-	-	-
		1,077	**166,885,170**	**-**	**-**	**-**	**-**

There were 128 holders of less than a marketable parcel of ordinary shares and they hold 131,108 ordinary shares.

B. Equity security holders

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

Name	Ordinary shares	
	Number held	Percentage of issued shares
D & DJ Burton Holdings Pty Ltd		59.19
Teijin Pharma Limited		4.97
Armco Barriers Pty Ltd		3.68
Beijing Bestmed Tech. LTD		2.94
Medigas Italia S.R.L		2.60
Lawson Callinan Super A/C		1.49
Electro Molecular Pty Ltd		1.22
Mr David Francis Lawson		1.12
Canucki Pty Ltd		0.71
HSBC Custody Nominees (Australia) Limited		0.67
Mr Jamie Van Netten		0.54
Go Go Marketing Pty Ltd		0.43
Mr Bernard Fredrick Knowler		0.42
Ms Man-Chun Tseng		0.36
Holder Super Pty Ltd		0.34
Mr Philip Alexander Steel		0.34
Southam Investments 2003 Pty Ltd		0.33
ZigSuper Pty Ltd		0.33
Killara Quest Pty Ltd		0.30
Benger Superannuation Pty Ltd		0.30
Trujon Investment Holdings Pty Ltd		0.30
	137,787,676	**82.56**

Unquoted equity securities

There are no unquoted equity securities on issue	-	-

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Ordinary shares		
D & DJ Burton Holdings Pty Ltd	100,822,097	60.41 %

D. Voting rights

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

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Convertible redeemable notes
No voting rights.

(c) Options
No voting rights.

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