

ANNUAL REPORT  
FINANCIAL STATEMENTS  
2016



- > SLEEP DIAGNOSTICS & TREATMENT
- > NEURO DIAGNOSTICS
- > BRAIN RESEARCH
- > ULTRASONIC BLOOD FLOW MONITORING
- > MEDICAL INNOVATIONS

## Contents

<b>Corporate Information</b>	<b>1</b>
<b>Directors' Report</b>	<b>2</b>
<b>Auditor's Independence Declaration</b>	<b>15</b>
<b>Corporate Governance Statement</b>	<b>16</b>
<b>Financial Statements – 30 June 2016</b>	<b>22</b>
<b>Statement of Profit or Loss And Other Comprehensive Income</b>	<b>23</b>
<b>Statement of Financial Position</b>	<b>24</b>
<b>Statement of Changes in Equity</b>	<b>25</b>
<b>Statement of Cash Flows</b>	<b>26</b>
<b>Notes to the Financial Statements</b>	<b>27</b>
<b>Directors' Declaration</b>	<b>67</b>
<b>Independent Auditor's Report</b>	<b>68</b>

## 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.

<b>Directors</b>	Dr. David Burton Dr. Alan Anderson Mr. David Lawson
<b>Secretary</b>	Mr. David Lawson
<b>Executive team</b>	<b>Executive Chairman, CEO</b> David Burton <b>Executive Director and CFO</b> David Lawson <b>Chief Technology Officer</b> Warwick Freeman <b>Legal Counsel &amp; Patent Attorney</b> Kerry Hubick <b>General Managing Director DWL Compumedics Germany GmbH</b> Christoph Witte <b>Vice President, Chief Scientist, Neuroscan</b> Curtis Ponton
<b>Notice of annual general meeting</b>	The annual general meeting of Compumedics Limited <b>will be held at</b> Compumedics Limited 30-40 Flockhart Street Abbotsford VIC 3067 <b>time</b> 10.30am <b>date</b> Thursday 27 October 2016
<b>Principal registered office in Australia</b>	30-40 Flockhart Street Abbotsford VIC 3067 Telephone: (03) 8420 7300
<b>Share registers</b>	Link Market Services Limited Level 1 333 Collins Street Melbourne VIC 3000 Phone: 1300 554 474
<b>Auditor</b>	Nexia Melbourne Audit Pty Ltd (Formerly Hayes Knight Audit Pty Ltd) Level 12 31 Queen Street Melbourne VIC 3000
<b>Stock exchange listings</b>	Compumedics Limited shares are listed on the Australian Stock Exchange. Compumedics' ASX code is CMP.
<b>Website address</b>	<a href="http://www.compumedics.com.au">www.compumedics.com.au</a>

## 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 2016.

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  
Dr. 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 (2015: 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	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
USA	11,534	10,715	220	(1,086)
Australia and Asia Pacific	15,768	14,171	2,937	4,208
Europe	10,242	8,609	1,820	956
Total continuing operations	<b>37,544</b>	<b>33,495</b>	<b>4,977</b>	<b>4,078</b>
Depreciation and amortisation			(1,766)	(1,392)
Finance costs			(405)	(675)
Other income			-	-
Profit / (loss) before income tax expense			2,806	2,011
Income tax expense			(467)	(41)
Profit / (loss) for the year			<b>3,273</b>	<b>1,970</b>

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

The Group achieved a number of milestones during the 2016 financial year including on-going growth (12% 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 2016 financial year the Group sought and obtained new banking facilities with the Bank of Melbourne. Settlement of these new working capital facilities occurred in late December 2015. These facilities in conjunction with existing facilities from the Export Finance and Investment Corporation (EFIC) has enabled the Group to adequately fund its working capital needs, as the Group continues to grow.

### OPERATIONS

Compumedics maintained its research and development (R&D) investment at approximately 15% 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 on-going 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 released its revamped core Graef sleep and neuro diagnostic hardware platform late in FY2016, to expand this range into lower price points so that a larger addressable market is available to the Group from early FY2017. The Group also signed a major licence agreement with the Korean Institute of Standards and Science for accessing their world leading MEG technology.

While these structural transforms have demanded on-going investment in the short term, in terms of personnel, engineering and components, they have and will continue to 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 \$11.5m for the year ended 30 June 2016 compared to \$10.7m for the prior year. The increased sales revenue in the US reflects the Company's on-going development of its US markets through to 30<sup>th</sup> June 2016.

### *(b) Asia Pacific*

Australian and Asia Pacific revenues for the year ended 30 June 2016 were \$15.8m compared to \$14.2m for the prior year. The Australian, Chinese and other Asian markets performed well for the year ended 30<sup>th</sup> June 2016, with China continuing to grow as a proportion of total Group sales.

### *(c) Europe*

European revenues for the year ended 30 June 2016 were \$10.2m compared to the prior year of \$8.6m reflecting improving trading conditions in key markets there and growth in 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 Company world-wide and as such global sleep diagnostic markets continue to offer opportunities for growth, particularly in Asia Pacific and specifically China and particularly in Neurological markets.

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. The Group also signed a 20 year licence agreement with the Korean Institute of Standards and Science (KRISS) to manufacture and sell their MEG technology. This potentially provides the Company with an opportunity to significantly grow its business in these key markets of the foreseeable future.

## **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 the following 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 Graef 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.
- 4 Execution of the first MEG sale as a result of the execution of the licence agreement with KRIS
- 5 Commercialisation of the Group's consumer sleep technology, Somfit.

This is a great Company 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 2016, to further capitalise on the larger and growing customer base of the Group.

The Group expects revenues to be within a range of \$41.0m to \$43.0m for the year ended 30 June 2017. On the basis revenues are within this range earnings before interest, tax, depreciation and amortisation should be between \$6.0m and \$8.0m, with net profits after tax between \$4.0m and \$6.0m.

## Significant Changes in State of Affairs

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

## Matters Subsequent to the End of the Financial Year

The Company instigated and successfully completed a capital raising, and sell down on 21<sup>st</sup> September 2016.

Total capital raised was \$6.5m at a price of \$0.54 per share, of which \$4.5m was new capital raised and \$2.0m was a sell down of existing shares in the Company, by two of the Directors of the Company. The new capital raised will result in the issue of 8,333,333 new fully paid ordinary shares in the Company. These shares will rank equally with existing issued ordinary shares in the Company.

The new shares will issue on 29<sup>th</sup> September 2016.

The Directors are not aware of any other 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 57**

#### *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 51**

#### *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 17 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

### **Dr. Alan Anderson Non-Executive Director, Age 61**

#### *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. 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 2016, 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	10	10	2	2	1	1
Dr. Alan Anderson	10	10	2	2	1	1
Mr. David Lawson	10	10	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 2015 to 30 June 2016 \$	From 1 July 2014 to 30 June 2015 \$
<b>Base fees</b>		
Chairman	50,000	50,000
Other non-executive directors	30,000	30,000
<b>Additional Fees</b>		
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 2016, 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 2016 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.

Medical Innovation Long Term Performance Plan (MI-LTPP)

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 2016 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 30<sup>th</sup> June 2016.

**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**

2016	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 \$
<i>Non-executive directors</i>								
Alan Anderson	40,000	-	-	-	-	-	-	40,000
<b>Sub-total non-executive directors</b>	<b>40,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,000</b>
<i>Executive Chairman</i>								
David Burton	50,000	-	-	-	-	-	-	50,000
<i>Executive Director &amp; CEO</i>								
David Burton	150,000	-	-	-	-	-	-	150,000
<i>Executive Director</i>								
David Lawson	35,000	-	-	-	-	-	-	35,000
<i>Executive Director &amp; CFO</i>								
David Lawson	222,871	-	-	21,987	-	4,277	-	249,135
<i>Other key management personnel</i>								
Warwick Freeman	256,520	-	-	22,182	-	4,296	-	282,998
Kerry Hubick	203,060	-	-	18,008	-	5,667	-	226,735
Christoph Witte	289,978	33,174	-	22,803	-	-	-	345,955
<b>Total key management personnel compensation</b>	<b>1,247,429</b>	<b>33,174</b>	<b>-</b>	<b>84,980</b>	<b>-</b>	<b>14,240</b>	<b>-</b>	<b>1,379,823</b>

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 \$
<i>Non-executive directors</i>								
Alan Anderson	40,000	-	-	-	-	-	-	40,000
<b>Sub-total non-executive directors</b>	<b>40,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,000</b>
<i>Executive Chairman</i>								
David Burton	50,000	-	-	-	-	-	-	50,000
<i>Executive Director &amp; CEO</i>								
David Burton	150,000	-	-	-	-	-	-	150,000
<i>Executive Director</i>								
David Lawson	35,000	-	-	-	-	-	-	35,000
<i>Executive Director &amp; CFO</i>								
David Lawson	222,871	-	-	21,172	-	4,608	-	248,651
<i>Other key management personnel</i>								
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
<b>Total key management personnel compensation</b>	<b>1,117,208</b>	<b>29,842</b>	<b>-</b>	<b>80,493</b>	<b>-</b>	<b>12,657</b>	<b>-</b>	<b>1,240,200</b>

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	
	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
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	10	-	-

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 2016. 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 2016 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. (2015: Nil).
- Review of last salary and fees -1 July 2015
- David Burton has a formal Employment Contract, which covers the above terms, amongst other items, including a twelve month notice period.

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

- Base salary inclusive of superannuation, for the year ended 30 June 2016 of AUD 249,135 to be reviewed annually by the remuneration committee. Directors fees of \$35,000 were also paid (2015: \$35,000)
- Performance bonus: No performance bonus was granted or paid during the financial year. (2015: NIL)
- Review of last salary -1 July 2015
- 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 2016 of AUD282,998 to be reviewed annually by the remuneration committee
- Review of last salary -1 July 2015
- 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 2016 of AUD226,735 to be reviewed annually by the remuneration committee.
- Review of last salary -1 July 2015
- 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 2016 of EUR198,313, to be reviewed annually by the remuneration committee.
- Car Allowance of EUR7,436
- Performance bonus – a performance bonus, granted in October 2015, of EUR21,822 was paid during the financial year. (2014: EUR20,782)
- Review of last salary -1 July 2015
- 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 2016. Unissued ordinary shares in Compumedics Limited under option at the date of this report held by directors are Nil.

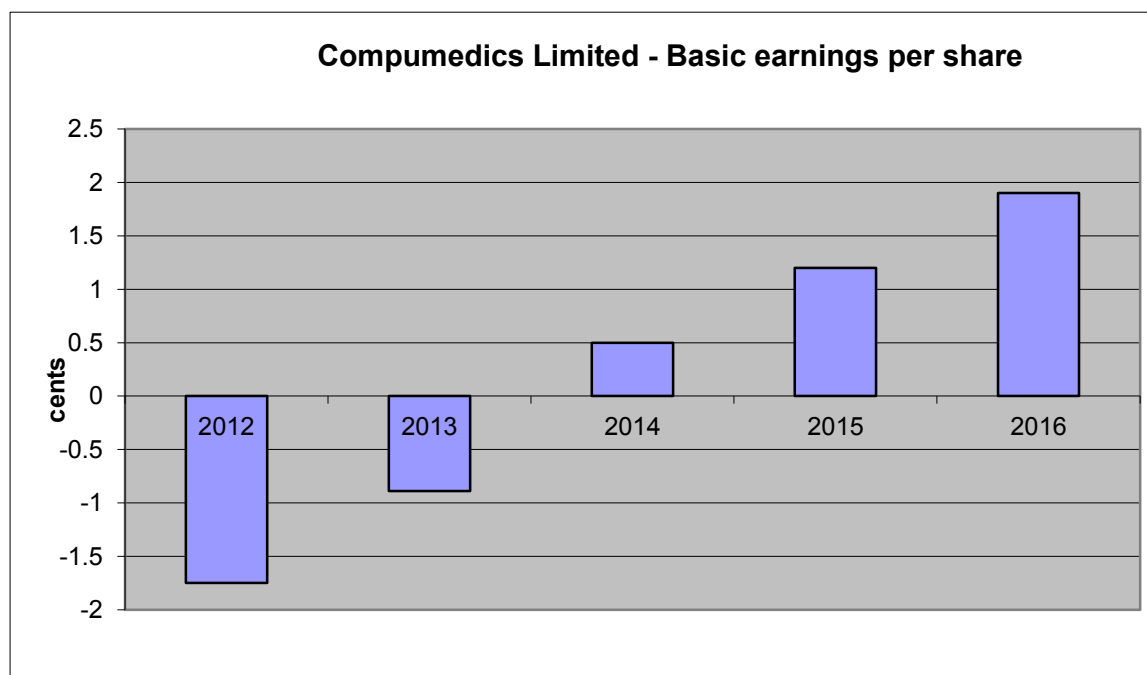
**E Additional information****Loans to directors and executives**

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 2016 (2015: 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 2016. The directors remain focused on driving earnings per share higher.

**Insurance of officers**

During the financial year, Compumedics Limited paid premiums of \$21,963 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 (Nexia Melbourne Audit Pty Ltd, formerly known as Hayes Knight Audit Pty Ltd) 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	
	2016	2015
	\$	\$
<b>Non-audit services</b>		
<i>Taxation services</i>		
Tax compliance services	30,500	31,400
<b>Total remuneration for taxation services</b>	<b>30,500</b>	<b>31,400</b>

## 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

Compumedics Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

## Auditor

Nexia Melbourne Audit Pty Ltd (formerly known as Hayes Knight Audit Pty Ltd) 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  
26 September 2016



## 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 2016, 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.



**Nexia Melbourne Audit Pty Ltd**  
Melbourne



**Geoff S. Parker**  
Director

Dated this *26th* day of *September*

2016

**Nexia Melbourne Audit Pty Ltd**  
Registered Audit Company 291969  
Level 12, 31 Queen Street, Melbourne VIC 3000  
p +61 3 8613 8888, f +61 3 8613 8800  
info@nexiamelbourne.com.au, www.nexia.com.au

Independent member of Nexia International



Nexia Melbourne Audit Pty Ltd (ABN 86 005 105 975) is an independent Victorian firm of chartered accountants using the Nexia International trademark under licence. It is affiliated with, but independent from, Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

## 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 10 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 2016, 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 2016.

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 2015.

### ***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 director:

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. Nexia Melbourne Audit Pty Ltd (Formerly Hayes Knight Audit Pty Ltd) 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 Company those 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 2016

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 26 September 2016. 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](http://www.compumedics.com.au).



# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

		Consolidated	
	Notes	2016 \$'000	2015 \$'000
<b>Revenue</b>			
Sale of goods	5	37,544	33,495
		<b>37,544</b>	<b>33,495</b>
<b>Other income</b>	6	729	767
<b>Expenses</b>			
Cost of sales		(17,615)	(15,453)
Administration		(5,260)	(4,565)
Sales and marketing		(6,438)	(6,801)
Research and development	7	(5,747)	(4,757)
Finance costs	7	(405)	(675)
<b>Profit before income tax</b>		<b>2,806</b>	<b>2,011</b>
Income tax expense	8	467	(41)
<b>Net profit</b>		<b>3,273</b>	<b>1,970</b>
<b>Other comprehensive income:</b>			
<i>Items that will be reclassified subsequently to profit and loss when specific conditions are met.</i>			
Foreign currency translation		(96)	136
Other comprehensive income/(loss) for the year,		(96)	136
Tax impact of other comprehensive income/(loss)		-	-
<b>Total comprehensive income for the year</b>		<b>3,177</b>	<b>2,106</b>
<b>Profit is attributable to:</b>			
Equity holders of Compumedics Limited		<b>3,177</b>	<b>2,106</b>
<b>Total comprehensive income for the year is attributable to:</b>			
Equity holders of Compumedics Limited		<b>3,177</b>	<b>2,106</b>
<b>Earnings / (loss) per share for profit (loss) attributable to the ordinary equity holders of the Company:</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings / (loss) per share	34	1.9	1.2
Diluted earnings / (loss) per share	34	1.9	1.2

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 2016

		Consolidated	
	Notes	2016 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	3,066	2,230
Trade and other receivables	10	12,790	10,259
Inventories	11	6,510	5,719
Total current assets		<b>22,366</b>	<b>18,208</b>
<b>Non-current assets</b>			
Deferred tax asset		515	-
Property, plant and equipment	12	832	797
Intangible assets	13	2,410	2,670
Total non-current assets		<b>3,757</b>	<b>3,467</b>
<b>Total assets</b>		<b>26,123</b>	<b>21,675</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	4,122	4,172
Borrowings	15	2,566	2,002
Provisions	16	2,762	2,585
Deferred revenue	17	1,669	1,388
Income tax payable	8	49	60
Total current liabilities		<b>11,168</b>	<b>10,207</b>
<b>Non-current liabilities</b>			
Borrowings	18	11	-
Provisions	19	8	11
Deferred revenue	20	340	189
Total non-current liabilities		<b>359</b>	<b>200</b>
<b>Total liabilities</b>		<b>11,527</b>	<b>10,407</b>
<b>Net assets</b>		<b>14,596</b>	<b>11,268</b>
<b>EQUITY</b>			
Contributed equity	21	31,420	31,269
Reserves	22(a)	(655)	(559)
Accumulated losses	22(b)	(16,169)	(19,442)
<b>Total equity</b>		<b>14,596</b>	<b>11,268</b>

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 2016

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000
<b>At 1 July 2014</b>	<b>31,269</b>	<b>(695)</b>	<b>(21,412)</b>	<b>9,162</b>
Profit for the year	-	-	1,970	1,970
Other comprehensive income	-	136	-	136
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>136</b>	<b>1,970</b>	<b>2,106</b>
<b>Transactions with owners in their capacity as owners:</b>				
New shares issued	-	-	-	-
<b>At 30 June 2015</b>	<b>31,269</b>	<b>(559)</b>	<b>(19,442)</b>	<b>11,268</b>
<b>At 1 July 2015</b>	<b>31,269</b>	<b>(559)</b>	<b>(19,442)</b>	<b>11,268</b>
Profit for the year	-	-	3,273	3,273
Other comprehensive income	-	(96)	-	(96)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(96)</b>	<b>3,273</b>	<b>3,177</b>
<b>Transactions with owners in their capacity as owners:</b>				
New shares issued	151	-	-	151
<b>At 30 June 2016</b>	<b>31,420</b>	<b>(655)</b>	<b>(16,169)</b>	<b>14,596</b>

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 2016

	Notes	Consolidated	
		2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		36,479	32,721
Payments to suppliers and employees (inclusive of goods and services tax)		(34,526)	(30,603)
Interest and other costs of finance paid		(405)	(675)
Income tax paid		(47)	(12)
Receipts from other income		731	771
<b>Net cash inflow from operating activities</b>	33	<b>2,232</b>	<b>2,202</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(304)	(393)
Payment for intangible assets		(1,235)	(887)
<b>Net cash outflow from investing activities</b>		<b>(1,539)</b>	<b>(1,280)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		2,050	1,316
Repayment of borrowings		(2,399)	(782)
Proceed from issue of shares		150	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(199)</b>	<b>534</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>494</b>	<b>1,456</b>
Cash and cash equivalents at the beginning of the financial year		1,350	(319)
Effects of exchange rate changes on cash and cash equivalents		75	213
<b>Cash and cash equivalents at end of year</b>	9	<b>1,919</b>	<b>1,350</b>

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 2016

## 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 30<sup>th</sup> June 2016 the Group reported a profit after tax of \$3.3m and net positive cash flow from operations of \$2.2m.

The Group has re-financed with Bank of Melbourne (BOM) during the current financial year as its primary working capital provider. The facilities provided by BOM are a mixture of a local invoice financing facility a post shipment export funding facility and a pre-shipment export funding facility.

During the financial year the Group continued to receive funding via the Export Finance and Investment Corporation (EFIC), a entity of the Australian Government, in conjunction with the BOM. 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 2016 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

## **1. Summary of significant accounting policies (continued)**

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 dependent on the specific activity capitalised. Historically, this has been 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**

Compumedics Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to 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 2016.

Reference	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 Income Taxes to clarify the circumstances in which the recognition of deferred tax assets may arise in respect of unrealised losses on debt instruments measured at fair value.	1 January 2017	When this Standard is first adopted for the year ending 30 June 2018, there will be no impact on the financial statements.
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 Statement of Cash Flows to include additional disclosures and reconciliation relating to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	When this Standard is first adopted for the year ending 30 June 2018, there will be no impact on the financial statements.
AASB 15 Revenue from Contracts with Customers	<p>AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and four Interpretations issued by the AASB and amends the principles for recognising revenue from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The Standard requires an entity to recognise revenue on a basis that depicts the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that principle, an entity shall apply all of the following steps:</p> <ul style="list-style-type: none"><li>a) identify the contract with a customer;</li><li>b) identify the separate performance obligations in the contract;</li><li>c) determine the transaction price;</li><li>d) allocate the transaction price to the separate performance obligations in the contract; and</li><li>e) recognise revenue when (or as) the entity satisfies a performance obligation.</li></ul> <p>Consequential amendments to other Standards are made by AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15. The mandatory application date of AASB 15 has been deferred to annual reporting periods beginning on or after 1 January 2018 by AASB 2015-8</p>	1 January 2018	The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified

Reference	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
AASB 16 Leases	<p>AASB 16 replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases.</p> <p>AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.</p> <p>A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows.</p>	1 January 2019	The entity has not yet assessed the full impact of AASB 16 as this standard does not apply mandatorily before 1 January 2019.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2016

**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 2016		30 June 2015	
	USD	Euro	USD	Euro
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Cash and cash equivalents	1,684	373	1,020	352
Trade receivables	4,182	2,198	4,980	1,972
<b>Financial liabilities</b>				
Bank Loans	(974)	(234)	(153)	(161)
Trade payables	(994)	(714)	(1,529)	(653)
<b>Net exposure</b>	<b>3,898</b>	<b>1,623</b>	<b>4,318</b>	<b>1,510</b>

*Sensitivity analysis*

Based on the financial instruments held at 30 June 2016, 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 \$0.276m higher / \$0.250m lower (2015: \$0.296m higher / \$0.268m 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 2016, 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 \$0.029m higher / \$0.026m lower (2015: \$0.116m higher / \$0.105m 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 2016

**2. Financial risk management (continued)****(a) Market risk (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 2016		30 June 2015	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
<b>Consolidated</b>				
Cash and cash equivalents	0.00%	3,066	0.00%	2,230
Bank overdrafts and loans and invoice financing facility	15.78%	2,577	18.38%	2,002

**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 2016 then based on 30 June 2016 year end borrowing of \$2.6m a plus or minus 2% movement in interest rates (+/- \$52,000) 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 2016

## 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 December 2015 the Company refinanced its working capital needs with BOM utilizing an invoice financing facility, together with other facilities. 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 2016 and 30 June 2015 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
<b>2016</b>						
Parent entity (AUD)	2,251	965	137	8	233	3,594
Parent entity (USD)	1,232	334	658	59	782	3,065
Parent entity (EURO)	124	28	-	-	301	453
US subsidiary (USD)	1,456	532	72	64	228	2,352
French subsidiary (EURO)	163	-	27	50	273	513
German subsidiary (EURO)	1,940	133	78	(6)	91	2,236
	<b>7166</b>	<b>1,992</b>	<b>972</b>	<b>175</b>	<b>1,908</b>	<b>12,213</b>
Provision	-	-	-	-	(546)	(546)
<b>2015</b>						
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	-	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
	<b>5,215</b>	<b>3,012</b>	<b>550</b>	<b>51</b>	<b>1,194</b>	<b>10,022</b>
Provision	-	(5)	-	-	(453)	(458)

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 9.7% (2015: 9.2%) and 6.5% (2015: 13.1%) 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.

**Notes to the Financial Statements (continued)**

For the year ended 30 June 2016

**2. Financial risk management (continued)****(b) Credit risk (continued)**

- 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 25.5% (2015: 7.5%) of the total debtors outstanding in the current year. The Company does not consider these accounts receivable to be at risk of non-payment.
- 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 4.1% (2015: 19.3%) 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 debt in December 2015 with BOM. As one of the facilities provided by BOM 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 2016

**2. Financial risk management (continued)****(c) Liquidity risk (continued)**

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

Liquid Financial Assets and Liquid Financial Liabilities

<b>Consolidated</b>	<b>6 months \$000</b>	<b>6-12 months \$000</b>	<b>1-5 years \$000</b>	<b>&gt; 5 years \$000</b>	<b>Total \$000</b>
<b>Year ended 30 June 2016</b>					
<b>Liquid financial assets</b>					
Cash and cash equivalents	3,066	-	-	-	3,066
Trade and other receivables	12,790	-	-	-	12,790
	15,856	-	-	-	15,856
<b>Financial liabilities</b>					
Trade and other payables	4,122	-	-	-	4,122
Interest bearing loans and borrowings	2,566	-	11	-	2,577
	6,688	-	11	-	6,699
<b>Net inflow / (outflow)</b>	9,168	-	(11)	-	9,157
<b>Year ended 30 June 2015</b>					
<b>Liquid financial assets</b>					
Cash and cash equivalents	2,230	-	-	-	2,230
Trade and other receivables	10,259	-	-	-	10,259
	12,489	-	-	-	12,489
<b>Financial liabilities</b>					
Trade and other payables	4,172	-	-	-	4,172
Interest bearing loans and borrowings	2,002	-	-	-	2,002
	6,174	-	-	-	6,174
<b>Net inflow / (outflow)</b>	6,315	-	-	-	6,315

## Notes to the Financial Statements (continued)

For the year ended 30 June 2016

### 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 \$1.2m (2015: \$0.8m) related to the development of the Multi DopX product in the DWL (German) business and the new MEG product. Prior year capitalisations were related to the SPAP product (\$0.8m). The recoverability of these costs is dependent 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 2016 financial year with a \$1.5m (2015: \$0.9m) charge to profit or loss in the current year.

**Notes to the Financial Statements (continued)****For the year ended 30 June 2016****(v) Deferred tax asset**

The Group books a deferred tax asset related to the future benefit of carry forward tax losses and unused tax credits as well as a net deferred tax asset relating to timing differences, where it is reasonably certain it can recover those losses against future taxable profits. The Group believes, at this point in time, it is likely the deferred tax asset is recoverable, given the restoration of profits over recent financial years and as such it booked a deferred tax asset at the 30 June 2016 of \$515k. This will be reviewed in future periods for appropriateness.

**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 2016****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 principal 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 2016 or 30 June 2015.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2016

## 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.

2016	USA	Australia and Asia Pacific	Europe	Group
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>				
Sales to external customers	11,534	15,768	10,242	37,544
Intersegment sales	687	3,327	643	4,657
Other intersegment revenue	-	-	-	-
<b>Total segment revenue</b>	<b>12,221</b>	<b>19,095</b>	<b>10,885</b>	<b>42,201</b>
Intersegment elimination	(687)	(3,327)	(643)	(4,657)
<b>Total revenue</b>	<b>11,534</b>	<b>15,768</b>	<b>10,242</b>	<b>37,544</b>
<b>Segment Result</b>	<b>220</b>	<b>2,937</b>	<b>1,820</b>	<b>4,977</b>
Other income				-
Depreciation and amortisation				(1,766)
Net interest expense				(405)
<b>Net Profit before income tax per the Statement of Profit or Loss and Other Comprehensive Income</b>				<b>2,806</b>
<b>Segment Assets</b>	<b>5,145</b>	<b>40,394</b>	<b>6,711</b>	<b>52,250</b>
Intersegment elimination	(7)	(26,055)	(65)	(26,127)
<b>Total assets per the Statement of Financial Position</b>	<b>5,138</b>	<b>14,339</b>	<b>6,646</b>	<b>26,123</b>
<b>Acquisition of property plant &amp; equipment</b>	<b>138</b>	<b>27</b>	<b>91</b>	<b>256</b>

Sales within Australia for 2016 were \$7.9m

## Notes to the Financial Statements (continued)

For the year ended 30 June 2016

## 4. Operating Segments (continued)

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

Sales within Australia for 2015 were \$5.3m

## 5. Revenue

	Consolidated	
	2016	2015
	\$'000	\$'000
<i>Sales revenue</i>		
Sale of goods	34,085	30,699
Services	3,459	2,796
	<b>37,544</b>	<b>33,495</b>

## 6. Other income

Other income	<b>729</b>	<b>767</b>
--------------	------------	------------

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 2016

## 7. Expenses

	Consolidated	
	2016	2015
	\$'000	\$'000
<b>Profit before income tax includes the following specific expenses:</b>		
<i>Depreciation</i>		
Plant and equipment	136	295
Total depreciation	<b>136</b>	<b>295</b>
<i>Amortisation</i>		
Intangible asset	1,499	1,079
<i>Finance costs</i>		
Interest and finance charges paid/payable	405	675
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	718	872
<i>Foreign exchange (gains) and losses (a)</i>	(31)	(232)
<i>Employee benefits</i>		
Payroll expense including leave payments	13,613	11,056
Superannuation entitlements	637	512
	<b>14,250</b>	<b>11,568</b>
Research and development expenditure	5,747	4,757
Current receivables – movement in impairment provision	88	175
Inventory – write down / (recovery):	114	(589)

(a) Foreign exchange gains and losses

Net foreign exchange gains of \$0.031m (2015: \$0.232m) 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 2016

**8. Income tax expense / (benefit)**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Income tax expense</b>		
Current income tax charge	48	41
Deferred income tax	(515)	-
Income tax reported in the statement of profit or loss and other comprehensive income	<b>(467)</b>	<b>41</b>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit / (Loss) before income tax expense as reported in the statement of profit or loss and other comprehensive income	2,806	1,970
Profit/(Loss) before income tax subject to Australian income tax	2,806	1,970
Tax (benefit) at the Australian tax rate of 30% (2015 - 30%)	842	591
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	3	3
Research and development	(383)	(306)
Deferred tax asset brought to account	(929)	(247)
Income tax expense (benefit) reported in the statement of profit or loss and other comprehensive income	<b>(467)</b>	<b>41</b>
<b>(c) Provision for income tax – current</b>		
Estimated income tax payable in Compumedics Germany GmbH	49	60

At balance date the Group estimates there is a deferred tax liability of \$0.6m (2015 \$0.6m), related to the intangible assets, which has been fully offset by the deferred tax asset in relation to timing differences and R&D tax credits in Australia now recognised, with a value of \$1.1m (2015 \$2.2m). In addition, the Group estimates a deferred tax asset exists in relation to tax losses in the USA of \$4.8m (2015 \$4.9m), which is not recognised.

The benefit of tax losses will be obtained if:

- (i) the Group derives 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 continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iii) no change in tax legislation adversely affects 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 2016

**9. Current assets – Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and in hand	3,066	2,230

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

Cash at bank and in hand	3,066	2,230
Bank overdrafts / invoice financing facility (note 15)	(1,147)	(880)
Balances per Statement of Cash Flows	<b>1,919</b>	<b>1,350</b>

**10. Current assets – Trade and other receivables**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	12,213	10,022
Allowance for impairment loss (a)	(546)	(458)
	<b>11,667</b>	<b>9,564</b>
Other receivables/prepayments	1,123	695
Related party receivables:		
Loans to key management personnel	-	-
	<b>12,790</b>	<b>10,259</b>

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

At 1 July	458	283
Provision for impairment recognised during the year	116	199
Receivables written off during the year as uncollectible	(28)	(24)
	<b>546</b>	<b>458</b>

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 2016

**10. Current assets – Trade and other receivables (continued)****Past due but not impaired**

As of 30 June 2016, trade receivables of \$4,500,789 (2015 - \$4.351m) 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:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Up to 3 months	3,067	3,609
3 to 6 months	390	382
Over 6 months	1,044	360
	<b>4,501</b>	<b>4,351</b>

**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 increased during the year ended 30 June 2016 by \$0.114m 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 2016.

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Raw materials and stores (at cost)	4,756	4,233
Work in progress (at cost)	909	902
Finished goods (at net realisable value)	2,507	2,132
Provision for obsolescence	(1,662)	(1,548)
<b>Total inventories at the lower of cost and net realisable value</b>	<b>6,510</b>	<b>5,719</b>

**(a) Inventory expense**

Inventories recognised as an expense during the year ended 30 June 2016 amounted to \$11,431,187 (2015: \$11,955,733).

## Notes to the Financial Statements (continued)

For the year ended 30 June 2016

## 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
<b>Year ended 30 June 2015</b>							
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
<b>At 30 June 2015</b>							
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)
<b>Net carrying amount</b>	<b>519</b>	<b>277</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>797</b>
<b>Year ended 30 June 2016</b>							
Opening net book amount	519	277	1	-	-	-	797
Additions	77	158	-	-	-	21	256
Exchange differences	15	7	-	-	-	-	22
Disposals	-	(107)	-	-	-	-	(107)
Depreciation/amortisation expense	(73)	(58)	(1)	-	-	(4)	(136)
At 30 June 2016	538	277	-	-	-	17	832
<b>At 30 June 2016</b>							
Cost or fair value	1,727	4,478	228	585	430	592	8,040
Accumulated depreciation	(1,189)	(4,201)	(228)	(585)	(430)	(575)	(7,208)
<b>Net carrying amount</b>	<b>538</b>	<b>277</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>832</b>
<b>Useful life (years)</b>	<b>6</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>6</b>	<b>3</b>	

## (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 2016

**13. Non-current assets - Intangible assets**

<b>Consolidated</b>	<b>Development costs \$'000</b>	<b>Total \$'000</b>
<b>Year ended 30 June 2015</b>		
At 1 July 2014	<b>2,902</b>	<b>2,902</b>
Additions	847	847
Impairment charge	-	-
Amortisation charge	(1,079)	(1,079)
<b>At 30 June 2015</b>	<b>2,670</b>	<b>2,670</b>
<b>At 30 June 2015</b>		
Cost*	7,367	7,367
Accumulated amortisation** and impairment	(4,697)	(4,697)
<b>Net carrying amount</b>	<b>2,670</b>	<b>2,670</b>
<b>Year ended 30 June 2016</b>		
At 1 July 2015	<b>2,670</b>	<b>2,670</b>
Additions	1,235	1,235
Impairment charge	-	-
Amortisation charge	(1,495)	(1,495)
<b>At 30 June 2016</b>	<b>2,410</b>	<b>2,410</b>
<b>At 30 June 2016</b>		
Cost*	8,602	8,602
Accumulated amortisation** and impairment	(6,192)	(6,192)
<b>Net carrying amount</b>	<b>2,410</b>	<b>2,410</b>

\* Relates to capitalised development costs being an internally generated intangible asset

\*\* Amortisation of \$1,495,000, (2015 - \$1,079,000) 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 \$0.9m at 30<sup>th</sup> June 2016) is approximately 0.5 years. The remaining balance related to MEG is approximately 20 years.

**14. Current liabilities - Trade and other payables**

	<b>Consolidated 2016 \$'000</b>	<b>2015 \$'000</b>
Trade payables	3,016	2,928
Other payables	1,106	1,244
	<b>4,122</b>	<b>4,172</b>

**(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 2016

**15. Current Liabilities - Borrowings**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Secured</b>		
Invoice financing and EFIC loans	2,110	880
Lease liabilities (note 27)	7	15
<b>Unsecured</b>		
Other loans	449	1,107
<b>Total Current Borrowings</b>	<b>2,566</b>	<b>2,002</b>

**Bank and Other Funding Facilities**

The Company utilises an invoice finance facility provided by Bank of Melbourne (BOM), as well as a pre-shipment export finance facility and a post-shipment export finance facility. The invoice facility has a limit of \$1.0m 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 pre-shipment export facility has a USD1.0m limit. The post shipment export facility has a USD1.0m limit and is dependent on the volume and type of invoices presented against this facility on an on-going basis in order to fully utilise the facility limit. The Company has transactional banking facilities and credit cards with Bank of Melbourne. The Group also has in place a USD1.0m Export Working Capital Guarantee provided by Export Financing and Investment Corporation (EFIC) in conjunction with the Bank of Melbourne's pre-shipment export facility. This facility has been in place since December 2014 and renews on an annual basis, subject to review by both parties.

**(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:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Invoice financing and EFIC loans	2,110	1,672
Lease liabilities – current	7	15
Lease liabilities – non-current	11	-
<b>Total secured liabilities</b>	<b>2,128</b>	<b>1,687</b>

Assets specifically secured against the invoice financing facility and not derecognised for reporting purposes\*

\* The invoice financing facility provided by BIBBY Financial Services Australia Pty Ltd was repaid in December 2015, when the bank settled new working capital facilities with the Bank of Melbourne.

The facilities provided by the Bank of Melbourne 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.

**Notes to the Financial Statements (continued)**

For the year ended 30 June 2016

**15. Current Liabilities – Borrowings (continued)**

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

		<b>Consolidated</b>	
	<b>Notes</b>	<b>2016</b>	<b>2015</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>			
<i>Floating charge</i>			
Cash and cash equivalents	9	3,066	2,230
Receivables	10	12,790	10,259
Inventories	11	6,510	5,719
Total current assets pledged as security		<b>22,366</b>	<b>18,208</b>
<b>Non-current</b>			
<i>Floating charge</i>			
Property, plant and equipment	12	832	797
Total non-current assets pledged as security		<b>832</b>	<b>797</b>
Total assets pledged as security		<b>23,198</b>	<b>19,005</b>

**(d) Forward exchange contracts**

As at 30 June 2016 and 30 June 2015 there were no outstanding forward exchange contracts.

**(e) Financing arrangements**

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

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Credit standby arrangements</b>		
Total facility		
Invoice financing and post export shipment facilities	2,347	2,000
EWCG - EFIC	1,347	1,302
Overdraft – DWL	373	291
Fixed term borrowings	-	330
	<b>4,067</b>	<b>3,923</b>
Used at reporting date		
Invoice financing facility	798	880
EWCG - EFIC	1,312	791
Overdraft - DWL	349	233
Fixed term borrowings	-	330
	<b>2,459</b>	<b>2,234</b>
Unused at reporting date		
Invoice financing facility	1,549	1,120
EWCG _ EFIC	35	511
Overdraft - DWL	24	58
Fixed term borrowings	-	-
	<b>1,608</b>	<b>1,689</b>
Loan / funding facilities		
Total facilities	4,067	3,923
Used at reporting date	2,459	2,234
Unused at reporting date	<b>1,608</b>	<b>1,689</b>



**Notes to the Financial Statements (continued)**

For the year ended 30 June 2016

**15. Current Liabilities – Borrowings (continued)**

The Group had funding facilities totalling \$4.1million at 30 June 2016. 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**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Employee benefits	2,378	2,216
Service warranties (note 16(a))	384	369
	<b>2,762</b>	<b>2,585</b>

**(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:

	<b>Service warranties</b>
	<b>\$'000</b>
<b>Current</b>	
Carrying amount at start of year	369
Charged/(credited) to profit or loss	
- additional provisions recognised	15
- unused amounts reversed	-
<b>Carrying amount at end of year</b>	<b>384</b>

**Notes to the Financial Statements (continued)**

For the year ended 30 June 2016

**17. Current liabilities - Deferred income**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Deferred income	1,669	1,388

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**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Secured</b>		
Lease liabilities (note 27)	11	-
	<b>11</b>	<b>-</b>

**(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**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Employee benefits	8	11

**20. Non-current liabilities - Deferred income**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Deferred income	340	189

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 2016

**21. Contributed equity**

	<b>Consolidated</b>		<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Share capital</b>				
Ordinary shares				
Fully paid	168,829,614	166,885,170	31,420	31,269

**(b) Movements in ordinary share capital:**

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>Issue price</b>	<b>\$'000</b>
30 June 2014	Balance	166,885,170		31,269
30 June 2015	Balance	166,885,170		31,269
	New issues	1,944,444	7.7 cents	150
	Correction to share capital	-	-	1
30 June 2016	Balance	168,829,614		31,420

**(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 may 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.

A total of 1,944,444 new ordinary shares were issued in the year ended 30<sup>th</sup> June 2016 to repay shareholder loans, pursuant to the shareholder loan terms and conditions. No shareholder loans remain payable that are convertible to equity in the Company.

Management may consider the issue of further shares on the market in the foreseeable future.

**Notes to the Financial Statements (continued)**

For the year ended 30 June 2016

**21. Contributed equity (continued)****(e) Capital management (continued)**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Total borrowings</b>	<b>2,577</b>	<b>2,002</b>
Less cash and cash equivalents	3,066	2,230
Net (cash) / debt	(489)	(228)
<b>Total equity</b>	<b>14,596</b>	<b>11,268</b>
<b>Total funding</b>	<b>14,107</b>	<b>11,040</b>
<b>Gearing ratio</b>	<b>(3.5)%</b>	<b>(2.1)%</b>

**22. Reserves and accumulated losses**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Reserves</b>		
Foreign currency translation reserve	(655)	(559)
	<b>(655)</b>	<b>(559)</b>

**(b) Accumulated losses**

Movements in accumulated losses were as follows:

Balance 1 July	(19,442)	(21,412)
Net profit / (loss) for the year	3,273	1,970
Balance 30 June	<b>(16,169)</b>	<b>(19,442)</b>

**(c) Other Reserves**

	<b>Consolidated</b>
	<b>Foreign currency translations \$'000</b>
Balance as at 1 July 2014	<b>(695)</b>
Exchange difference on translation of foreign operation	136
At 30 June 2015	<b>(559)</b>
Exchange difference on translation of foreign operation	(96)
<b>At 30 June 2016</b>	<b>(655)</b>

**Notes to the Financial Statements (continued)**

For the year ended 30 June 2016

**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 (2015: 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:

<b><i>Name</i></b>	<b><i>Position</i></b>	<b><i>Employer</i></b>
Warwick Freeman <sup>^</sup>	Chief Technology Officer	Compumedics Limited
Kerry Hubick <sup>^</sup>	Legal Counsel & Patent Attorney	Compumedics Limited
Christoph Witte <sup>^</sup>	Managing Director, DWL	Compumedics Germany GmbH

<sup>^</sup> The above persons were also key management persons during the year ended 30 June 2015.

**(c) Key management personnel compensation**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,280,603	1,147,050
Post-employment benefits	84,980	80,493
Long-term benefits	14,240	12,657
Share-based payments	-	-
	<b>1,379,823</b>	<b>1,240,200</b>

## Notes to the Financial Statements (continued)

For the year ended 30 June 2016

## 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 2016 and 30 June 2015.

## (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
<b>2016</b>				
<b>Directors of Compumedics Limited</b>				
<b>Ordinary shares</b>				
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
<b>Other key management personnel of the Group</b>				
<b>Ordinary shares</b>				
Warwick Freeman	82,000	-	-	82,000
Kerry Hubick	1,180,065	-	-	1,180,065
Christoph Witte	-	-	-	-
<b>2015</b>				
<b>Directors of Compumedics Limited</b>				
<b>Ordinary shares</b>				
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
<b>Other key management personnel of the Group</b>				
<b>Ordinary shares</b>				
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 2016

**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. Where expenses have been paid by Compumedics on behalf of Intellirad Solutions Pty Ltd, these have been reimbursed in full. No expenses relating to Intellirad were paid for by Compumedics during the year ended 30<sup>th</sup> June 2016.

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 Law Firm LLC. 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:

	2016 \$	2015 \$
<b>Amounts recognised as expense</b>		
Legal fees	34,097	1,814

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 10<sup>th</sup> 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 2016 \$	2015 \$
<b>(a) Audit services</b>		
Nexia Melbourne Audit Pty Ltd, (Formerly known as Hayes Knight Audit Pty Ltd)		
Audit and review of financial reports under the Corporations Act 2001	108,000	105,000
Total remuneration for audit services	<b>108,000</b>	<b>105,000</b>
<b>(b) Non-audit services</b>		
<i>Taxation services</i>		
Tax compliance services	30,500	31,400
Total remuneration for taxation services	<b>30,500</b>	<b>31,400</b>
	<b>138,500</b>	<b>136,400</b>

**26. Contingencies****(a) Contingent liabilities**

The consolidated entity had no contingent liabilities at 30 June 2016 (2015: None).

**Notes to the Financial Statements (continued)****For the year ended 30 June 2016****(b) Contingent assets**

The consolidated entity had no contingent assets at 30 June 2016 (2015: None).

**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.

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	915	929
Later than one year but not later than five years	1,088	629
Commitments not recognised in the financial statements	<b>2,003</b>	<b>1,558</b>

**Capital commitments**

The Company has a USD875k payment due to KRISS on the sale of the first MEG system to complete the initial licence fee payable on the Licence Agreement signed with KRISS in April 2016.

Within one year	1,178	-
-----------------	-------	---

**(iii) Finance leases**

Within one year	7	15
After one year but not more than five years	11	-
Total minimum lease payments	<b>18</b>	<b>15</b>

**28. Share-based payments****Employee Option Plan**

The Group did not have any share-based payments in the full year ended 30 June 2016.

**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 2016

**29. Related party transactions (continued)****(d) Transactions with related parties**

Transactions between Compumedics Limited and related entities during the years ended 30 June 2016 and 2015 consisted of:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Purchase of legal services from Alan Anderson Law Firm	34,097	1,814
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 Law Firm LLC. 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.

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 10<sup>th</sup> 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 is one other loan with a shareholder but the shareholder is not 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**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Information relating to Compumedics Limited:		
Current assets	13,146	9,951
Total assets	15,954	12,494
Current liabilities	7,364	5,664
Total liabilities	7,383	5,675
Contributed Equity	31,420	31,269
Reserves	-	-
Accumulated losses	(22,849)	(24,449)
Total shareholders' equity	<b>8,571</b>	<b>6,819</b>
Profit or loss of the parent entity	3,067	2,876
Total comprehensive income (loss) of the parent entity	1,601	1,727

**Notes to the Financial Statements (continued)****For the year ended 30 June 2016****Guarantees**

The facilities provided by the Bank of Melbourne are secured by a Corporate Guarantee and Indemnity unlimited as to amount and a Mortgage Debenture secure the working capital facilities over all the assets and undertaking of the parent entity, Compumedics Limited and its subsidiaries. Further details are in Note 15.

**Contingent Liabilities**

The parent entity had no contingent liabilities at 30 June 2016 (2015: None).

**Contractual Commitments**

The parent entity has a USD875k payment due to KRISS on the sale of the first MEG system to complete the initial licence fee payable on the Licence Agreement signed with KRISS in April 2016. This is equivalent to AUD\$1.178m.

**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	
			2016 %	2015 %
Compumedics Telemed Pty Ltd	Australia	Ordinary	100	100
Compumedics Medical Innovation Pty Ltd	Australia	Ordinary	92	92
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
DWL USA Inc.	USA	Ordinary	100	100

**32. Events occurring after the reporting date**

The Company instigated and successfully completed a capital raising, and sell down on 21<sup>st</sup> September 2016.

Total capital raised was \$6.5m at a price of \$0.54 per share, of which \$4.5m was new capital raised and \$2.0m was a sell down of existing shares in the Company, by two of the Directors of the Company. The new capital raised will result in the issue of 8,333,333 new fully paid ordinary shares in the Company. These shares will rank equally with existing issued ordinary shares in the Company.

The new shares will issue on 29<sup>th</sup> September 2016.

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

## Notes to the Financial Statements (continued)

For the year ended 30 June 2016

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

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) for the year	3,273	1,970
Depreciation and amortisation	1,766	1,392
Net exchange differences	485	(442)
Change in operating assets and liabilities		
(Increase) decrease in receivables	(2,531)	(1,206)
(Increase) decrease in inventories	(791)	425
(Increase ) in deferred tax assets	(515)	-
Increase (decrease) in trade payables	(50)	(429)
Increase (decrease) in deferred revenues	432	216
Increase (decrease) in tax provisions	(11)	21
Increase (decrease) in other provisions	174	255
Net cash inflow (outflow) from operating activities	<b>2,232</b>	<b>2,202</b>

**34. Profit / (Loss) per share**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>Cents</b>	<b>Cents</b>
<b>(a) Basic profit / (loss) per share –cents per share</b>		
Profit/(Loss) attributable to the ordinary equity holders of the Company	1.94	1.18
<b>(b) Diluted profit / (loss) per share</b>		
Profit/(Loss) attributable to the ordinary equity holders of the Company	1.94	1.18
<b>(c) Reconciliations of profit/(loss) used in calculating earnings per share</b>		

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Basic profit per share</i>		
Profit	3,273	1,970
<i>Diluted profit per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted loss per share	3,273	1,970
Profit attributable to the ordinary equity holders of the Company used in calculating diluted loss per share	<b>3,273</b>	<b>1,970</b>

**Notes to the Financial Statements (continued)****For the year ended 30 June 2016****(d) Weighted average number of shares used as the denominator**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
<i>Weighted average number of ordinary shares used as the denominator in calculating basic profit/(loss) per share</i>	168,829,614	166,885,170
Adjustments for calculation of diluted profit/(loss) per share:		
Convertible loan	-	-
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted profit/(loss) per share</i>	<u>168,829,614</u>	<u>166,885,170</u>

**(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 were converted into ordinary shares of the Company, at the discretion of the shareholder, when the loans were due for repayment. As a result 1,944,444 ordinary shares were issued in the year ended 30<sup>th</sup> June 2016 at the election of the shareholder, repaying the loans in full.

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 66 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 2016 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  
26 September 2016

## 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 2016, 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*.

**Nexia Melbourne Audit Pty Ltd**  
Registered Audit Company 291969  
Level 12, 31 Queen Street, Melbourne VIC 3000  
p +61 3 8613 8888, f +61 3 8613 8800  
info@nexiamelbourne.com.au, www.nexia.com.au

Independent member of Nexia International



Nexia Melbourne Audit Pty Ltd (ABN 86 005 105 975) is an independent Victorian firm of chartered accountants using the Nexia International trademark under licence. It is affiliated with, but independent from, Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

## 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 2016 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 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads "Nexia".

Nexia Melbourne Audit Pty Ltd  
Melbourne

A handwritten signature in blue ink that reads "Geoff S. Parker".

Geoff S. Parker  
Director

Dated this 26th day of September 2016

Additional information required by Australian Stock Exchange Listing Rules and not disclosed elsewhere in this Annual Report; the information presented is at 23 September 2016.

## 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	79	150,994,877	-	-	-	-
10,001	- 100,000	416	14,210,492	-	-	-	-
5,001	- 10,000	268	2,244,591	-	-	-	-
1,001	- 5,000	417	1,317,523	-	-	-	-
1	- 1,000	98	62,131	-	-	-	-
		<b>1,278</b>	<b>168,829,614</b>	-	-	-	-

There were 56 holders of less than a marketable parcel of ordinary shares and they hold 20,206 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		58.51
Teijin Pharma Limited		4.91
Beijing Bestmed Tech. LTD		2.90
Medigas Italia S.R.L		2.57
HSBC Custody Nominees (Australia) Limited		1.68
Armco Barriers Pty Ltd		1.47
Lawson Callinan Super A/C		1.47
Electro Molecular Pty Ltd		1.21
Mr David Francis Lawson		1.11
Mr Bernard Knowler & Mrs Robynnee Knowler (Knowler Family Account)		1.00
Canucki Pty Ltd		0.70
Holder Super Pty Ltd		0.58
JP Morgan Nominees Australia Limited		0.53
BFA Super Pty Ltd		0.44
Go Go Marketing Pty Ltd		0.43
Mr Jamie Van Netten		0.42
Citicorp Nominees Pty Limited		0.35
Mr Philip Alexander Steel		0.33
Jarvsfaks Pty Ltd		0.30
Mr Bernard Knowler		0.30
	<b>137,107,966</b>	<b>81.21</b>

### *Unquoted equity securities*

There are no unquoted equity securities on issue

-

-



### **C. Substantial holders**

Substantial holders in the Company are set out below:

	<b>Number held</b>	<b>Percentage</b>
Ordinary shares		
D & DJ Burton Holdings Pty Ltd and Electro Molecular Pty Ltd*	100,822,097	59.72%

\* Electro Molecular Pty Ltd is owned by David Burton, who is also a shareholder of D & DJ Burton Holdings Pty Ltd

### **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.







[www.compumedics.com](http://www.compumedics.com)

Defining *Life's* Signals



AG918\_01

