

Appendix 4E

BrainZ Instruments Limited ARBN 116 829 675

Preliminary final report Year ended 31 March 2009

The following information is given to the ASX under listing rule 4.3A.

1. Reporting Details

BrainZ Instruments Limited ARBN 116 829 675 (“BrainZ” or the “company”) presents the following information for the year ended 31 March 2009 together with comparative results for the year ended 31 March 2008.

All amounts are shown in New Zealand dollars.

2. Results for announcement to the market

	Reported 12 months 31 March 2009 NZ\$'000	Variance to 12 months 31 March 2008 NZ\$'000	% Change
2.1 Operating revenue from ordinary activities:	1,322	(943)	(41.6) %
2.2 Loss after tax from ordinary activities:	(1,734)	6,609	79.2%
2.3 Net loss attributable to shareholders:	(1,734)	6,609	79.2%
2.4 Dividends	Nil	Nil	Nil
2.5 Date of dividend	N/A	N/A	N/A

2.6 Commentary on results for the year

At the time of the last Annual Report the financial performance of BrainZ was disappointing. Sales growth was slow with no near term substantial reduction in cash burn foreseeable in spite of our leading brand in neonatal bedside brain monitoring with good opinion leader awareness. The Board of Directors of BrainZ sought ways of maximising the value of the assets, recognising that both capital and clinical outcomes data were likely to be necessary to achieve satisfactory sales results. Alternatives explored included (1) integrating BrainZ into a broader neonatal business in order to achieve the necessary critical mass and capital, (2)

appropriate OEM arrangements, and/or (3) entering partnerships with parties with an interest in specific products such as the seizure detection product RecogniZe™.

In October 2008 BrainZ entered into an Asset Purchase Agreement with Natus Medical Inc (NASDAQ: BABY) to sell all or substantially all of its assets to Natus for NZ\$1,300,000. A Special Meeting of BrainZ shareholders was held on 5 November 2008, approving the sale of all or substantially all of the Company's assets to Natus as outlined in an explanatory statement dated 16 October 2008. Under this Agreement Natus took ownership of the assets and assumed BrainZ's obligations under its then-existing customer and supplier contracts. The Asset Purchase Agreement closed on 2 Dec 2008 with some transitional services being provided to Natus and the majority of BrainZ employees completing their notice periods around the end of January 2009. The final monies outstanding from Natus under the Asset purchase agreement were collected by BrainZ in May 2009.

The total cash burn during the 2008-9 fiscal year was \$1.3 million, with first half-year **burn of \$1.0 million**. These figures incorporate funds received from Natus in the second half-year, including the \$1.3m received in Dec 2008, as well as costs related to the sale and costs of final staff payments. The final payments due from Natus under the contract were received in May 2009. As previously announced to the ASX, the Directors are considering a return of capital towards the end of 2009, which may require the company to be liquidated. This timeframe is dictated by the length of time to fully wind down the business. Depending on the legal means of effecting any distribution, shareholder approval may also be required.

3. Consolidated Income Statement

	Notes	12 months to 31 March 2009 NZ\$'000	12 months to 31 March 2008 NZ\$'000
Revenue – sales		1,322	2,265
Cost of sales		(473)	(613)
Gross profit		849	1,652
Other income- grants		117	233
Sales and marketing expenses		(1,835)	(2,154)
Research and development expenses		(1,080)	(2,580)
Administrative expenses		(906)	(1,105)
Other – impairment of intellectual property	4.1	-	(4,078)
Result from operating activities		(2,855)	(8,032)
Finance income – interest received		81	244
Finance expense – foreign exchange gain/(loss)		614	(540)
Net finance costs		695	(296)
Net Gain on sale of Assets	14	419	-
Deficit before taxation	3.1	(1,741)	(8,328)
Income tax (expense)/credit	3.2	7	(15)
Net deficit for the year		(1,734)	(8,343)

3.1 The deficit before taxation was after charging:

Notes	12 months to 31 March 2009 NZ\$'000	12 months to 31 March 2008 NZ\$'000
Depreciation on plant and equipment	(165)	(161)
Loss on disposal of plant and equipment	(9)	(4)
Operating lease costs	(97)	(120)
Directors fees	(110)	(256)
Auditors remuneration	(44)	(44)
Other fees paid to auditor	(23)	(21)

3.2 Income tax expense

Prima facie income tax credit on deficit (30%, 2008 33%)	522	2,748
<i>Tax effect on permanent differences</i>		
Effect of non-deductible expenditure	(37)	1
Effect of non-assessable gain on sale of assets	126	
Effect of tax losses not recognised	(2,119)	(1,552)
Effect of timing differences not recognised	1,508	(1,231)
Difference in overseas tax rates	7	20
Overseas tax credits lost	-	(1)
Income tax credit/(expense)	<u>7</u>	<u>(15)</u>

The Group now has unrecognised tax losses of \$16,250,000 (2008: \$5,901,000) that are available to offset against future taxable income. The future availability of these losses is dependent on the satisfaction of an income tax continuity of ownership test.

3.3 Dividends

There were no dividends paid by the company during the above periods.

3.4 Net Deficit per share

	12 months to 31 March 2009 NZ\$'000	12 months to 31 March 2008 NZ\$'000
Basic and diluted net deficit per share	(\$0.03)	(\$0.14)
Weighted average number of shares	60,000,000	60,000,000

Net deficit per share is based upon the weighted average number of outstanding ordinary shares. The company's potentially dilutive ordinary share options have not been included in determining the weighted average number of ordinary shares.

4. Consolidated Balance Sheet

	Notes	31 March 2009 NZ\$'000	31 March 2008 NZ\$'000
<u>Current Assets</u>			
Cash and cash equivalents		2,631	3,462
Trade and other receivables		412	877
Inventories		-	221
Taxation receivable		26	67
		<u>3,069</u>	<u>4,627</u>
<u>Non-Current Assets</u>			
Property, plant and equipment		-	267
Intangible assets	4.1	-	37
		<u>-</u>	<u>304</u>
Total Assets		<u>3,069</u>	<u>4,931</u>
<u>Current Liabilities</u>			
Trade and other payables		251	437
Taxation payable		-	9
		<u>251</u>	<u>446</u>
<u>Non-current Liabilities</u>			
Deferred taxation		-	4
<u>Equity</u>			
Share capital	4.2	25,623	25,623
Other reserves	8.1	(1,301)	(1,018)
Accumulated deficit	8.2	(21,504)	(20,124)
		<u>2,818</u>	<u>4,481</u>
Total Equity and Liabilities		<u>3,069</u>	<u>4,931</u>

4.1 Intangible Assets

	31 March 2009 NZ\$'000	31 March 2008 NZ\$'000
<u>Intellectual Property</u>		
Balance at beginning of year	-	4,739
Amortisation for year	-	(661)
Impairment charge	-	(4,078)
Balance at end of year	<u>-</u>	<u>-</u>

The impairment charge is shown separately in other expenses in the Income Statement on page 3.

<u>Computer Software</u>		
Balance at beginning of year	37	62
Additions	2	3
Amortisation for year	(39)	(32)
Reclassified from plant and equipment	-	4
Balance at end of year	<u>-</u>	<u>37</u>
Total Intangible Assets	<u>-</u>	<u>37</u>

4.2 Share Capital

	31 March 2009	31 March 2008
	NZ\$'000	NZ\$'000
Share capital	<u>25,623</u>	<u>25,623</u>

The number of issued and paid-up shares as at 31 March 2009 was 60,000,000 (2008: 60,000,000). All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

5. Consolidated Cash Flow Statement

	12 months to 31 March 2009	12 months to 31 March 2008
	NZ\$'000	NZ\$'000
<u>Cash flows from operating activities</u>		
Receipts from customers	1,809	2,350
Receipts from grants	157	361
Interest received	81	244
Income tax refunded	35	144
Payments to suppliers and employees	(4,288)	(5,905)
Income tax paid	-	(97)
Net cash outflow from operating activities	<u>(2,206)</u>	<u>(2,903)</u>
<u>Cash flows from investing activities</u>		
Sale of plant and equipment	11	1
Purchase of plant and equipment	(15)	(168)
Purchase of computer software	(2)	(3)
Net proceeds from sale of business	14 887	
Net cash outflow from investing activities	<u>881</u>	<u>(170)</u>
Net decrease in cash held	<u>(1,325)</u>	<u>(3,073)</u>
Cash and cash equivalents at beginning of year	3,462	6,970
Effect of exchange rate fluctuations on cash held	494	(435)
Cash at end of year	<u>2,631</u>	<u>3,462</u>
Reconciliation with net deficit for the year		
Net deficit for the year	(1,734)	(8,343)
<i>Non-cash items requiring adjustment</i>		
Amortisation of intangible assets	39	693
Impairment of intellectual property	-	4,078
Depreciation	165	161
Movement in deferred taxation	(4)	(4)
Share option compensation expense	28	(7)
Unrealised foreign exchange losses	(455)	4
<i>Items classified as investing activities</i>		
Net Gain on sale of non current assets	(787)	-
Loss on disposal of plant and equipment	9	4
<i>Movements in working capital</i>		
Trade and other payables	(186)	(113)
Taxation payable	(35)	(24)
Trade and other receivables	466	108
Inventories	221	31
Taxation receivable	67	78
Net cash outflow from operating activities	<u>(2,206)</u>	<u>(2,903)</u>

6. Dividends

There were no dividends paid by the company during the above periods. The Directors do not recommend the payment of any dividends with respect to the current year.

7. Dividend or Distribution Reinvestment Plan

Not applicable

8.1 Other Reserves

	31 March 2009 NZ\$'000	31 March 2008 NZ\$'000
Capital reserve	(1,325)	(1,325)
Share option compensation reserve	-	326
Foreign currency translation reserve	24	(19)
Total other reserves	<u>(1,301)</u>	<u>(1,018)</u>

The capital reserve represents the cost of listing the shares on the ASX on 14 December 2005.

8.2 Statement of accumulated deficit

Balance at beginning of year	(20,124)	(11,781)
Share option compensation reserve transferred to retained earnings	354	-
Net deficit for the year	<u>(1,734)</u>	<u>(8,343)</u>
Balance at end of year	<u>(21,504)</u>	<u>(20,124)</u>

9. Net Tangible Assets per Security

	31 March 2009 NZ\$'000	31 March 2008 NZ\$'000
Net tangible assets	2,817	4,444
Net tangible assets per security	\$0.047	\$0.07
Shares on issue at end of period	60,000,000	60,000,000

10. Control Over Entities

Name of entity	Date of Control	Principal Activities	Interest Held	Domicile
BrainZ Instruments USA Inc.	15/12/2005	Product Support	100%	US
BrainZ Instruments UK Ltd	3/3/2006	Product Support	100%	UK

The subsidiaries have had no material impact on the financial performance or position of the company.

11. Details of associates and joint venture entities

Not applicable.

12. Other significant information

None.

13. Accounting Standards

The financial statements of the company are prepared in accordance with NZ IFRS which is now generally accepted accounting practice in New Zealand.

14. Commentary on the Results

A commentary on the company's results for the year ended 31 March 2009 is presented above under Note 2.6.

In October 2008 BrainZ entered into an Asset Purchase Agreement with Natus Medical Inc (NASDAQ: BABY) to sell all or substantially all of its assets to Natus for NZ\$1,300,000. The net gain of \$419,000 is recorded in the income statement as a result of this sale. Sale costs of \$413,000 were incurred on the transaction

The net deficit per share is presented in Note 3.4 above.

No ordinary share dividends have been declared for the period.

15. Audit Status

This report is based on financial statements for the year ended 31 March 2009 which are subject to audit and comparatives for the year ended 31 March 2008 which have been audited.

The company's auditor is Deloitte, Auckland.