



Uscom

ASX Media Release

Appendix 4D Results and Update

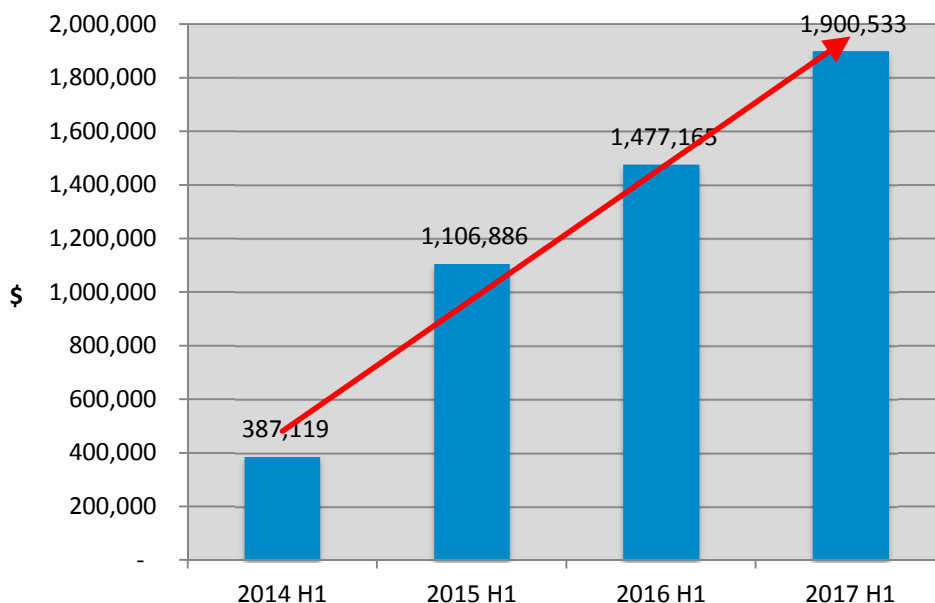
Half Year ended 31 December 2016

USCOM CONTINUES GROWTH

- RECORD H1 REVENUE UP 29%
- 70% H1 CAGR OVER THREE YEARS
- TWO NEW GLOBAL REVENUE STREAMS PREPARED FOR MARKET

SYDNEY, Australia, Monday 13th February 2017: Uscom Limited (ASX code: UCM) (the **Company** or **Uscom**) today released its Appendix 4D interim financial report and financial results for the half year ended 31 December 2016 (H1). The results disclosed are in Australian dollars.

Uscom H1 Revenue



Financial Summary

- Record H1 total revenue up 29% to \$1.90M from \$1.48M in the prior corresponding period.
- 70% compound annual growth rate (CAGR) for H1 revenues for the last three years.
- Two new global revenue streams planned for 2017 calendar year.
- Net H1 operating cash consumption of \$0.78M (\$0.67M for Q1).
- H1 loss increased 1% to \$0.85M (including one off \$0.42M share based payment).
- Uscom Europe (Thor) – H1 profit of \$69k on \$325k revenue.
- \$1.88M cash on hand at 31 December 2016.

During H1 2017 USCOM 1A sales have continued to grow worldwide with total revenue up 29% to \$1.90M. The new Uscom Europe (Budapest) manufacturing centre generated a profit of \$69k from \$325k revenue.

The consolidated entity lost \$0.85M for the period which included one off expenses of \$0.42M for share based payment for employees earned over five years, and various “one off” expenses associated with preparation of the BP+ and SpiroSonic devices for market. Global revenue is predicted to stream as regulatory approvals are granted for these devices throughout the course of calendar 2017.



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Net H1 operating cash consumption was \$0.78M, while for Q1 the operating cash consumption was \$0.67M (as reported in the Appendix 4C – 31st Jan 2017). The company holds approximately \$1.88M in cash at the end of the period with a \$0.50M R&D grant due in Q3 and \$1.2M in options outstanding at an exercise price of 25c exercisable by July 2017.

Executive Chairman of Uscom, Associate Professor Rob Phillips said: *"Uscom has continued to grow revenue and sales as predicted. Our costs continue to include one off expenses associated with the acquisition of the Thor business and the preparation of our new BP+ and SpiroSonic suites for market. We are approaching profitability and are planning to grow high margin revenue off the back of the release of our new BP+ and SpiroSonic devices into Europe, USA and then China, over the next 12 months. We are a milestone driven company pursuing a global growth strategy and anticipate our strong financial results will continue. As our revenue base grows we expect our financials to consolidate into predictable long term profitability."*

In summary Uscom results for the first half of financial year 2017 have demonstrated strong and continuing growth. Uscom management are preparing the release of two new product suites into global jurisdictions, and it is anticipated that this will underwrite the continuing growth of the company in the foreseeable future.

About Uscom

Uscom Limited (UCM) is an ASX listed innovative medical technology company specialising in development and marketing of premium non-invasive cardiovascular and pulmonary medical devices. Uscom has a mission to demonstrate leadership in science and create noninvasive devices that assist clinicians improve clinical outcomes. Uscom has three practice leading suites of devices in the field of cardiac, vascular and pulmonary monitoring; the USCOM 1A advanced haemodynamic monitor, Uscom BP+ central blood pressure monitor, and the Uscom SpiroSonic digital ultrasonic spirometers. Uscom devices are premium resolution, noninvasive devices which deploy innovative and practice leading technologies approved or submitted for FDA, CE, CFDA and TGA regulatory approval and marketing into global distribution networks.

The USCOM 1A is a simple to use, cost-effective and non-invasive advanced haemodynamic monitor that measures cardiovascular function, detects irregularities and is used to guide treatment. The USCOM 1A device has major applications in Paediatrics, Emergency, Intensive Care Medicine and Anaesthesia, and is the device of choice for management of adult and paediatric sepsis, hypertension, heart failure and for the guidance of fluid, inotropes and vasoactive cardiovascular therapy.

The Uscom BP+ is a supra-systolic oscillometric central blood pressure monitor which measures blood pressure and blood pressure waveforms at the heart, as well as in the arm, information only previously available using invasive cardiac catheterisation. The Uscom BP+ replaces conventional and more widespread sub-systolic blood pressure monitors, and is the emerging standard of care measurement in hypertension, heart failure and vascular health. The Uscom BP+ provides a highly accurate and repeatable measurement of central and brachial blood pressure and pulse pressure waveforms using a familiar upper arm cuff. The BP+ is simple to use and requires no complex training with applications in hypertension, heart failure, intensive care, general practice and home care. The Uscom BP+ is supported by the proprietary BP+Reporter, an innovative standalone software solution that provides a digital platform to archive patient examinations, trend measure progress over time, analyse pulse pressure waves and generate a summary report.

Uscom SpiroSonic digital ultrasonic spirometers are high fidelity, digital, pulmonary function testing devices based on multi path ultrasound technology. They are simple and accurate to use and provide research quality pulmonary function testing in small hand held devices that can be used in research, clinical and home care environments. The devices can be coupled with mobile phone applications and proprietary SpiroSonic software platforms with wireless interfacing to provide remote tele-monitoring of pulmonary disease. The devices are specialised for assessment of COPD, sleep disordered breathing, asthma, industrial lung disease and monitoring of pulmonary therapeutic compliance. The SpiroSonic devices are supported by the proprietary SpiroReporter, an innovative stand alone software solution that provides a digital platform to archive patient examinations, trend measure progress over time, analyse spirometry outputs and generate a summary report.

For more information, please visit: www.uscom.com.au

Uscom Contacts

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Uscom

ASX Media Release

Uscom Limited and its controlled entities

ABN 35 091 028 090

ASX Appendix 4D Half yearly report – 31 December 2016

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Uscom

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Reporting period ended: 31 December 2016
Previous corresponding reporting period: 31 December 2015

Results for announcement to the market

| | | | | |
|--|----|-----|----|-------------|
| Revenue and other income | up | 29% | to | \$1,900,533 |
| Loss from ordinary activities after tax attributable to members | up | 1% | to | \$846,175 |
| Net Loss for the period attributable to members | up | 1% | to | \$846,175 |

Dividends per Share

It is not proposed to pay a dividend.

Net Tangible Asset per Ordinary Share

| | 31 December 2016 | 31 December 2015 |
|-------------|------------------|------------------|
| NTA backing | 2.8c | 1.9c |

Status of review

The accounts have been reviewed.

Commentary

Refer Executive Chairman review of operations in page 2-3.

Financial highlights

| | |
|--------------------------------|-------------|
| Revenue and other income | \$1,900,533 |
| Loss from ordinary activities | (\$846,175) |
| Sales revenue | \$1,528,095 |
| Net operating cash consumption | (\$779,281) |
| Net decrease in cash held | (\$959,256) |
| Cash held at end of the period | \$1,880,517 |

DIRECTORS' REPORT

Your directors present the financial report of Uscom Ltd and its controlled entities for the half-year ended 31 December 2016.

Directors

The names of directors who held office during the whole of the half-year and up to the date of this report are:

Dr Rob Phillips
Ms Sheena Jack
Mr Christian Bernecker
Mr Chao Xiao He

UPDATE

USCOM 1A sales remain the cornerstone of Uscom growth, and our financials continue to strengthen and approach profitability and cash flow positivity. Continued growth of Uscom sales is anticipated as we expand our distribution and distributor support worldwide, and the fundamental USCOM clinical proposition receives increasing recognition.

We are finalising the preparation of the Uscom BP+ and SpiroSonic devices for market. Our current activities will result in Uscom selling 3 separate product suites in multiple global jurisdictions. This will change the general activities of the company, transforming it from a product development and regulatory organisation to a marketing, distribution and sales driven operation.

Uscom is actively increasing the number and focus of its global distribution team in anticipation of the release of the BP+ and SpiroSonic devices to market.

In China PMS, Uscom's long standing Chinese partners, will continue to manage and oversee the majority of their current distributors and territories selling USCOM 1A as CIIC come on line. CIIC are signing up new distributors and have ordered their first devices for sale to Chinese distributors. Its envisaged that this collaborative division of territories between PMS and CIIC should provide an expanded coverage of provinces and a more cost effective delivery of education, training and technical support within China, and importantly significantly improve reach and increase sales. All Uscom devices for sale into China will be imported through Uscom's China office in Shanghai by CIIC. CIIC are exclusive agents for BP+ and SpiroSonic devices in China and will begin sales immediately following CFDA approvals. PMS will also continue their distribution of Uscom devices in S.E. Asia with potential expansion into Japan.

The BP+ and SpiroSonic devices are currently being submitted for CFDA regulatory approval in a process which is of uncertain duration. Both series of devices are also being prepared for FDA approval, a process likely to be completed within 6 months, while the BP+ is being prepared for imminent CE submission.

Uscom is also beginning a shift toward the US market, buoyed by the opportunities that cost effective technologies have to leverage into the US defence and clinical markets where cost constraints are increasingly influencing buying decisions. This will be particularly relevant as the new devices receive FDA approval for sale.

Uscom Europe also received a Euro Grant for development of novel diagnostics for early detection of lung and other forms of cancer using innovative technologies based on its spirometer devices. The grant of A\$427k over 3 years (\$142k p.a.) will be used to conduct R&D to develop new products which may become part of the future Uscom product pipeline. The first installment of \$126k cash was received in H1 but not recognized as revenue within the current accounts. Further R&D grants are in review.

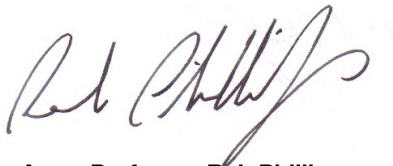
In summary Uscom results for H1 of financial year 2017 have demonstrated strong and continuing growth. Uscom management are preparing the release of two new product suites into global jurisdictions, and it is anticipated that these products will underwrite the continuing growth of the company in the foreseeable future.

Uscom manufactures and markets the USCOM 1A, the Uscom BP+, and Uscom SpiroSonic digital ultrasonic spirometry technologies. These premium digital devices are changing the way we diagnose and treat cardiovascular and pulmonary diseases, including hypertension, heart failure, asthma, COPD and sleep disorders. The products

are integral for optimising management of sepsis and guidance of fluid, inotropes and vasoactive therapies in critical care monitoring, and in clinical and home care delivered asthma and COPD medications.

The lead auditor's independence declaration as required under S307c of the Corporations Act 2001 has been received and can be found on page 4 of the half yearly financial report.

Signed in accordance with a resolution of the Directors under S306(3)(a) of the Corporations Act 2001.

A handwritten signature in dark ink, appearing to read 'Rob Phillips', is positioned above the printed name and title.

**Asso. Professor Rob Phillips
Executive Chairman**

Sydney, 13 February 2017



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Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF USCOM LIMITED

As lead auditor for the review of Uscom Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Uscom Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Gareth Few'.

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 13 February 2017

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees..

Uscom Limited and its controlled entities

Consolidated statement of profit or loss and other comprehensive income
for the half year ended 31 December 2016

| Continuing operations | Note | 31 Dec 2016 \$ | 31 Dec 2015 \$ |
|--|------|-------------------|-------------------|
| Revenue and other income | 2 | 1,900,533 | 1,477,165 |
| Raw materials and consumables used | | (287,235) | (285,685) |
| Expenses from continuing activities | 3 | (2,454,670) | (2,012,808) |
| Loss before income tax from continuing operations | | (841,372) | (821,328) |
| Income tax expense | | (4,803) | (15,800) |
| Loss after income tax from continuing operations | | (846,175) | (837,128) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Foreign currency translation difference for foreign operations | | 2,725 | (9,084) |
| Other comprehensive income for the period | | 2,725 | (9,084) |
| Total comprehensive income for the period | | (843,450) | (846,212) |
| Attributable to: | | | |
| Owners of the Company | | (843,450) | (846,212) |
| Total comprehensive income for the period | | (843,450) | (846,212) |
| Earnings per share (EPS) | | | |
| Basic earnings per share (cents per share) | | (0.8) | (0.9) |
| Diluted earnings per share (cents per share) | | (0.8) | (0.9) |

This Consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the annual financial report for the year ended 30 June 2016 and the attached notes.

Uscom Limited and its controlled entities

Consolidated statement of financial position
as at 31 December 2016

| | Note | 31 Dec 2016 \$ | 30 Jun 2016 \$ |
|--------------------------------------|------|-------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | | 1,880,517 | 2,839,773 |
| Trade and other receivables | | 511,293 | 267,751 |
| Inventories | | 545,393 | 418,707 |
| Tax assets | | 789,149 | 429,516 |
| Other assets | | 87,236 | 137,039 |
| Total current assets | | 3,813,588 | 4,092,786 |
| Non-current assets | | | |
| Term Deposit | | 41,569 | - |
| Plant and equipment | | 105,355 | 74,895 |
| Intangible assets | 6 | 1,434,938 | 1,544,065 |
| Total non-current assets | | 1,581,862 | 1,618,960 |
| Total assets | | 5,395,450 | 5,711,746 |
| Current liabilities | | | |
| Trade and other payables | | 537,757 | 545,899 |
| Short term provisions | | 222,910 | 209,902 |
| Total current liabilities | | 760,667 | 755,801 |
| Non-current liabilities | | | |
| Long term provisions | | 19,556 | 17,954 |
| Total non-current liabilities | | 19,556 | 17,954 |
| Total liabilities | | 780,223 | 773,755 |
| Net assets | | 4,615,227 | 4,937,991 |
| Equity | | | |
| Issued capital | 4 | 30,332,259 | 30,308,877 |
| Options and rights reserve | 5 | 2,597,197 | 2,099,893 |
| Accumulated losses | | (28,379,795) | (27,533,620) |
| Foreign currency translation reserve | | 65,566 | 62,841 |
| Total equity | | 4,615,227 | 4,937,991 |

This Consolidated statement of financial position is to be read in conjunction with the annual financial report for the year ended 30 June 2016 and the attached notes.

Uscom Limited and its controlled entities

Consolidated statement of changes in equity
for the half year ended 31 December 2016

| | Ordinary share capital | Options and rights reserve | Accumulated losses | Foreign currency translation reserve | Total |
|--|---------------------------|----------------------------------|-----------------------|---|-----------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2015 | 26,019,429 | 1,806,732 | (25,618,591) | 81,091 | 2,288,661 |
| Loss for the period | - | - | (837,128) | - | (837,128) |
| Other comprehensive income | - | - | - | (9,084) | (9,084) |
| Total comprehensive income for the period | - | - | (837,128) | (9,084) | (846,212) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Shares Issued | 2,216,242 | - | - | - | 2,216,242 |
| Transaction costs on Shares Issued | (189,282) | - | - | - | (189,282) |
| Share-based payments | - | 172,567 | - | - | 172,567 |
| Total transactions with owners | 2,026,960 | 172,567 | - | - | 2,199,527 |
| Balance at 31 December 2015 | 28,046,389 | 1,979,299 | (26,455,719) | 72,007 | 3,641,976 |
| Balance at 1 July 2016 | 30,308,877 | 2,099,893 | (27,533,620) | 62,841 | 4,937,991 |
| Loss for the period | - | - | (846,175) | - | (846,175) |
| Other comprehensive income | - | - | - | 2,725 | 2,725 |
| Total comprehensive income for the period | - | - | (846,175) | 2,725 | (843,450) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Shares Issued | 29,750 | - | - | - | 29,750 |
| Transaction costs on Shares Issued | (6,368) | - | - | - | (6,368) |
| Share-based payments | - | 497,304 | - | - | 497,304 |
| Total transactions with owners | 23,382 | 497,304 | - | - | 520,686 |
| Balance at 31 December 2016 | 30,332,259 | 2,597,197 | (28,379,795) | 65,566 | 4,615,227 |

This Consolidated statement of changes in equity is to be read in conjunction with the annual financial report for the year ended 30 June 2016 and the attached notes.

Uscom Limited and its controlled entities

Consolidated statement of cash flows
for the half year ended 31 December 2016

| | Note | 31 Dec 2016 \$ | 31 Dec 2015 \$ |
|---|------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 1,242,967 | 1,235,371 |
| Payments to suppliers and employees | | (2,161,715) | (2,071,827) |
| Grants | | 124,983 | - |
| Interest received | | 14,484 | 7,880 |
| Net cash used in operating activities | | (779,281) | (828,576) |
| Cash flows from investing activities | | | |
| Purchase of patents and trademarks | | (18,415) | (58,669) |
| Purchase of plant and equipment | | (43,373) | (3,567) |
| Purchase of business | 8 | (100,000) | (593,641) |
| Term Deposit | | (41,569) | (593,641) |
| Net cash used in investing activities | | (203,357) | (655,877) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares and options | | 29,750 | 2,216,242 |
| Share issue costs | | (6,368) | (189,281) |
| Net cash provided by financing activities | | 23,382 | 2,026,961 |
| Net increase (decrease) in cash and cash equivalents | | (959,256) | 542,508 |
| Net cash and cash equivalents at the beginning of the period | | 2,840,165 | 528,283 |
| Exchange rate adjustments to cash and cash equivalents at the beginning of the period | | (392) | (1,966) |
| Net cash and cash equivalents at the end of the period | | 1,880,517 | 1,068,825 |

This Consolidated statement of cash flows is to be read in conjunction with the annual financial report for the year ended 30 June 2016 and the attached notes.

Uscom Limited and its controlled entity**Selected Explanatory Notes to the Financial Statements
For the half year ended 31 December 2016****Note 1 – Statement of significant accounting policies**

The half-year consolidated financial report was approved by the Board of Directors on 9 February 2017. This half-year consolidated financial report has been prepared in accordance with Accounting Standard AASB 134 and is to be read in conjunction with the annual financial report for the financial year ended 30 June 2016. This is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half-year report does not include full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

Accordingly, it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Uscom Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

These financial statements have been prepared on the going concern basis which contemplates the consolidated entity's ability to pay its debts as and when they become due and payable for a period of at least 12 months from the date of authorising the financial report for issue.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these accounting standards and interpretations did not have any significant impact on the financial performance or position of the consolidated entity. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Consolidated Entity financial report conforms with International Financial Reporting Standards (IFRS).

| | 31 Dec 2016 \$ | 31 Dec 2015 \$ |
|--|-------------------|-------------------|
| Note 2 – Revenue and other income | | |
| Sale of goods | 1,528,095 | 1,275,383 |
| <u>Other revenue</u> | | |
| Interest received | 14,487 | 7,877 |
| <u>Other income</u> | | |
| Grants | 314,818 | 190,000 |
| Other income | 8516 | - |
| Exchange gain | 34,617 | 3,905 |
| Total other income | 357,951 | 193,905 |
| Total revenue and other income | 1,900,533 | 1,477,165 |

Note 3 – Expenses from ordinary activities

| | | |
|---|-----------|-----------|
| Depreciation and amortisation expenses | 141,816 | 103,810 |
| Employee expenses | 1,316,481 | 812,199 |
| Research and development expenses | 298,794 | 246,280 |
| Advertising and marketing expenses | 310,183 | 431,039 |
| Occupancy expenses | 94,513 | 77,548 |
| Regulatory expenses | 64,232 | 13,024 |
| Administrative expenses | 219,560 | 328,908 |
| Finance costs | 9,091 | - |
| Total expenses from ordinary activities | 2,454,670 | 2,012,808 |

| | 31 Dec 2016 | 30 June 2016 |
|--|--------------------|---------------------|
| | \$ | \$ |
| Note 4 – Issued capital | | |
| <u>Ordinary shares</u> | | |
| Fully paid ordinary shares | 30,332,259 | 30,308,877 |
| Total contributed equity | 30,332,259 | 30,308,877 |
| <u>Movement in issued capital</u> | | |
| Shares on issue at the beginning of the period | 30,308,877 | 26,019,429 |
| 587,500 ordinary shares issued at 5.95 cents | - | 34,956 |
| 14,571,655 ordinary shares issued at 15 cents | - | 2,185,748 |
| 11,594,425 ordinary shares issued at 20 cents | - | 2,318,925 |
| 500,000 ordinary shares issued at 5.95 cents | 29,750 | - |
| 3,272,728 ordinary shares issued at nil cost | - | - |
| Share issue cost | (6,368) | (250,182) |
| Ordinary shares at the end of the period | 30,332,259 | 30,308,877 |
| | | |
| | Number | Number |
| Ordinary shares at the beginning of the period | 108,463,270 | 81,459,490 |
| 9,666,669 ordinary shares issued by private placement on 23 July 2015 | - | 9,666,669 |
| 12,500 ordinary shares issued by exercise of options on 31 July 2015 | - | 12,500 |
| 275,000 ordinary shares issued by private placement on 31 July 2015 | - | 275,000 |
| 666,667 ordinary shares issued by private placement on 14 August 2015 | - | 666,667 |
| 3,963,319 ordinary shares issued by private placement on 21 August 2015 | - | 3,963,319 |
| 500,000 ordinary shares issued by exercise of options on 30 September 2015 | - | 500,000 |
| 75,000 ordinary shares issued by exercise of options on 23 March 2016 | - | 75,000 |
| 11,594,625 ordinary shares issued by private placement on 10 Jun 2016 | - | 11,594,625 |
| 500,000 ordinary shares issued by exercise of options on 18 August 2016 | 500,000 | - |
| 3,272,728 ordinary shares issued by exercise of rights on 23 December 2016 | 3,272,728 | - |
| Total fully paid ordinary shares at the end of the period | 112,235,998 | 108,463,270 |
| | | |
| | 31 Dec 2016 | 30 June 2016 |
| | \$ | \$ |
| Note 5 – Options and rights reserve | | |
| Options and rights reserve balance at the beginning of the period | 2,099,893 | 1,806,732 |
| Expenses arising from share-based payment | 497,304 | 293,161 |
| Options and rights reserve balance at the end of the period | 2,597,197 | 2,099,893 |
| | | |
| | Number | Number |
| <u>Movement in options</u> | | |
| Options at the beginning of the period | 5,440,544 | 1,912,500 |
| Exercised during the period | (500,000) | (587,500) |
| Granted during the period | - | 4,765,544 |
| Lapsed during the period | - | (650,000) |
| Options at the end of the period | 4,940,544 | 5,440,544 |
| | | |
| | Number | Number |
| <u>Movement in rights</u> | | |
| Rights at the beginning of the period | 5,859,092 | 5,859,092 |
| Exercised during the period | (3,272,728) | - |
| Rights at the end of the period | 2,586,364 | 5,859,092 |

| | 31 Dec 2016 | 30 June 2016 |
|-----------------------------------|-------------|--------------|
| | \$ | \$ |
| Note 6 – Intangible assets | | |
| Patents | 972,403 | 1,018,374 |
| Regulatory approvals | 462,535 | 525,691 |
| Total Intangible assets | 1,434,938 | 1,544,065 |

Note 7 – Operating segmentsSegment information

The consolidated entity operates in the global health and medical products industry. Globally the company has 5 geographic sales and distribution segments as shown below. For each segment, the CEO and General Manager review internal management reports on at least a monthly basis.

The largest customer group which operates in Asia accounts for 68% of the total sales revenue (2015: 63%).

| | Australia / NZ | Asia | USA | Europe | Other region | Total |
|----------------------------------|-------------------|-----------|-----------|-----------|-----------------|-------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 31 Dec 2016 | | | | | | |
| Sales to external customers | 10,534 | 989,943 | 236,831 | 271,346 | 19,441 | 1,528,095 |
| Other revenues | 365,055 | - | - | 7,383 | - | 372,438 |
| Total segment revenue | 375,589 | 989,943 | 236,831 | 278,729 | 19,441 | 1,900,533 |
| Segment expenses | 2,016,615 | 243,990 | 352,479 | 114,401 | 14,420 | 2,741,905 |
| Segment result before income tax | (1,641,026) | 745,953 | (115,648) | 164,328 | 5,021 | (841,372) |
| 31 Dec 2015 | | | | | | |
| Sales to external customers | 32,645 | 679,458 | 89,874 | 411,236 | 62,170 | 1,275,383 |
| Other revenues | 201,782 | - | - | - | - | 201,782 |
| Total segment revenue | 234,427 | 679,458 | 89,874 | 411,236 | 62,170 | 1,477,165 |
| Segment expenses | (1,577,621) | (166,719) | (138,858) | (401,845) | (13,450) | (2,298,493) |
| Segment result before income tax | (1,343,194) | 512,739 | (48,894) | 9,391 | 48,720 | (821,328) |

There is no material change to segment assets compared to 30 June 2016.

Note 8. Business combinations

On 1 September 2015 Uscom Medical Limited, a subsidiary of Uscom Limited, acquired 100% of the ordinary shares of Thor Laboratories for the total consideration of \$879,106. This is a medical device business based in Hungary. It was acquired to expand and diversify the existing business and leverage the existing distribution channels. For the period from 1 July to 31 December 2016, the acquired business contributed revenues of \$325,459 (\$255,330 for the period from 1 September to 31 December 2015) and profit after tax of \$69,219 (\$38,568 for the period from 1 September to 31 December 2015) to the consolidated entity.

An amount of \$100,000 was paid on 1 September 2016 as part of the deferred consideration for the acquisition.

The consolidated entity recognises the fair value of deferred consideration for the acquisition, as of its acquisition date as part of the consideration transferred in exchange for the acquired business. The fair value measurements require, among other things, significant estimation of post-acquisition financial performance of the acquired business. This calculation uses cash flow projections for post-acquisition performance.

Any projected earnout payments are discounted to present value, using a discount rate deemed appropriate by the consolidated entity to account for the time value of money in addition to the inherent risk in the earnout calculation projection. The discount rate used is 10% pre-tax.

Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

Note 9 – Contingent liabilities

There were no contingencies as at 31 December 2016.

Note 10 – Events after the reporting date

There were no other events subsequent to 31 December 2016 that are required to be reported in this note.

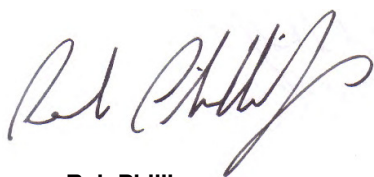
DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Rob Phillips

Executive Chairman



Sheena Jack

Director

Sydney, 13 February 2017



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Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Uscom Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Uscom Limited, which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Uscom Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Uscom Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Uscom Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'Gareth Few', is written over a faint, stylized 'BDO' logo.

Gareth Few
Partner

Sydney, 13 February 2017