



Uscom Limited

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Uscom Limited and its controlled entity

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ASX Appendix 4D Half yearly report – 31 December 2012

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Reporting period ended 31 December 2012
Previous corresponding reporting period: 31 December 2011

Results for announcement to the market

Revenues from ordinary activities	down	27.80%	to	\$363,309
Loss from ordinary activities after tax attributable to members	down	40.97%	to	\$671,217
Net Loss for the period attributable to members	down	40.97%	to	\$671,217

Dividends per Share

It is not proposed to pay a dividend.

Net Tangible Asset per Ordinary Share

	31 December 2012	31 December 2011
NTA backing	2.4c	2.9c

Status of review

The accounts have been reviewed.

Commentary

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

Financial highlights

Revenues from ordinary activities	\$363,309
Loss from ordinary activities	(\$671,217)
Sales Revenue	\$352,366
Net operating cash consumption	(\$699,398)
Net increase in cash held	\$351,668
Cash held at end of the year	\$896,131

DIRECTORS' REPORT

Your directors present the financial report of Uscom Ltd for the half-year ended 31 December 2012.

Directors

The names of directors who held office during or since the end of the half-year:

Mr Rob Phillips
Ms Sheena Jack
Mr Christian Bernecker

Shareholdings of directors as at 31 December 2012

Name of directors	Balance 31 December 2012
Mr Rob Phillips	17,046,733 ¹
Ms Sheena Jack	430,000 ²
Mr Christian Bernecker	-
Total	17,476,733

¹ 432,924 of these ordinary shares are held by ACS Pty Ltd as Trustee for Phillips Superannuation.

² 80,000 of these ordinary shares are held by family associate and 350,000 ordinary shares are held by Sheena Jack as Trustee for The Jack Lane Superannuation Fund.

Review of operations

Uscom Ltd results for the first half of financial year 2013 demonstrate a 41% reduction in net operating loss from \$1,137k in 2011 to \$671k in 2012. Operating expenses from ordinary activities were reduced by 31% from \$1,663k to \$1,152k while revenue decreased from \$503k in 2011, to \$363k for the 6 months to 31st December 2012. At the end of December 2012 the company had approximately \$900k in cash and \$1.8m in total current assets.

The first half of financial year 2013 featured the successful raising of more than \$1.2m in a private placement to sophisticated investors for the issue of approximately 11m shares. The placement was supported by a mix of current shareholders and new investors and was oversubscribed. Following the capital raising there were 63,159,485 ordinary fully paid Uscom shares on issue. The current share price is \$0.20 making the current capitalized value of the company approximately \$12.6 million.

The operational results reported in the 4D reflect a strategic focus on financial stability with much of the first half of the 2013 financial year directed at cost management, capital raising and strategic planning. Global sales were down as distributors reduced activity during the capital raising period. Following the successful capital raising and assurance of midterm financial security, there is expected to be a re-activation of sales activity.

The company has continued to benefit from great clinical science in the second half of 2012 with a number of new international presentations and publications in the field of hypertension and sepsis. The management of sepsis and the development of the USCOM based "BUSH" protocol will be the foundation of a new global sales campaign titled "USCOM – Making Sepsis a Curable Disease". While initially an Australian campaign, we are planning to expand this into the global market, particularly targeting the US health management organisations where cost effective management of dangerous and expensive diseases such as sepsis are becoming powerful drivers of clinical practice. The campaign will be based on the USCOM BUSH protocol which has demonstrated a 90% mortality reduction and 45% cost reduction for management of sepsis patients over a six year national

practice audit period. This evidence indicates that USCOM may be poised to become a significant health economic solution to the global challenge of sepsis management.

While the science of USCOM has continued to grow, the case for USCOM becoming a genuine platform technology increases. Global partners with sales and marketing reach a well position to deliver the USCOM technology to market and exploit the multiple commercial opportunities associated with established sales and distribution networks, and licensing the USCOM modules into existing products. These sector specific agreements will tap into the multiple markets in which USCOM has proven science but no current distribution. It is anticipated that these partnerships will provide long term revenues and incremental growth opportunities as the power of Uscom's multiple patents are leveraged into this distribution channel and become catalysts for a significant re-rating of the market value of the company.

In summary, the second half of calendar year 2012 saw a successful stabilisation of the company's operating position, with an oversubscribed capital raising, and definition of a strategic path forward. While sales have been steady, cash control sound and our science expanding, incremental partnership opportunities are the current source of focus and planned to lead us to our next phase of corporate growth as the global economy continues its recovery. This strategy, developed by the management and board, will provide an excellent opportunity for the company to achieve its profit projections and grow shareholder value off the back of the growing body of scientific proof.

As the impact of the USCOM science becomes more widely recognised by clinicians and the need for accurate non-invasive monitoring increases, we have never been more optimistic for the future of Uscom; the foundations are in place and we are poised for global growth.

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



Rob Phillips
Executive Chairman

Sydney, 27 February 2013



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DECLARATION OF INDEPENDENCE BY TIM SYDENHAM TO THE DIRECTORS OF USCOM LIMITED AND ITS CONTROLLED ENTITY

As lead auditor for the review of Uscom Limited and its controlled entity for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Tim Sydenham', with a long horizontal flourish extending to the right.

Tim Sydenham

Partner

BDO East Coast Partnership

27 February 2013

Sydney

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Uscom Limited and its controlled entity

Consolidated statement of profit and loss
for the half year ended 31 December 2012

Continuing operations	Note	31 Dec 2012 \$	31 Dec 2011 \$
Revenues from ordinary activities	2	363,309	503,231
Raw materials and consumables used		(82,679)	(127,658)
Expenses from ordinary activities, excluding finance costs	3	(1,151,847)	(1,662,592)
Loss before income tax credit		(871,217)	(1,287,019)
Income tax credit		200,000	150,000
Loss after income tax credit		(671,217)	(1,137,019)
Earnings per share (EPS)			
Basic earnings per share (cents per share)		(1.1)	(2.2)
Diluted earnings per share (cents per share)		(1.1)	(2.2)
Consolidated statement of comprehensive income for the half year ended 31 December 2012			
		31 Dec 2012 \$	31 Dec 2011 \$
Loss for the period		(671,217)	(1,137,019)
Other comprehensive income			
Foreign currency translation differences for foreign operations		(384)	3,374
Other comprehensive income for the period		(384)	3,374
Total comprehensive income for the period		(671,601)	(1,133,645)
Attributable to:			
Owners of the Company		(671,601)	(1,133,645)
Minority interest		-	-
Total comprehensive income for the period		(671,601)	(1,133,645)

This Consolidated statement of profit and loss and Consolidated statement of comprehensive income are to be read in conjunction with the annual financial report for the year ended 30 June 2012 and the attached notes.

Uscom Limited and its controlled entity

Consolidated statement of financial position
as at 31 December 2012

	Note	31 Dec 2012 \$	30 Jun 2012 \$
Current assets			
Cash and cash equivalents		896,131	544,463
Trade and other receivables		71,880	140,936
Inventories		170,710	191,030
Tax assets		606,253	406,253
Other assets		54,010	41,946
Total current assets		1,798,984	1,324,628
Non-current assets			
Plant and equipment		57,367	68,258
Intangible assets		420,408	435,472
Total non-current assets		477,775	503,730
Total assets		2,276,759	1,828,358
Current liabilities			
Trade and other payables		111,576	108,357
Short term provisions		181,127	122,983
Total current liabilities		292,703	231,340
Non-current liabilities			
Long term provisions		72,021	126,952
Total non-current liabilities		72,021	126,952
Total liabilities		364,724	358,292
Net assets		1,912,035	1,470,066
Equity			
Issued capital	4	22,597,113	21,376,920
Unissued capital	5	-	150,000
Options reserve	6	1,423,050	1,379,673
Accumulated losses		(22,181,971)	(21,510,754)
Foreign currency translation reserve		73,843	74,227
Total equity		1,912,035	1,470,066

This Consolidated statement of financial position is to be read in conjunction with the annual financial report for the year ended 30 June 2012 and the attached notes.

Uscom Limited and its controlled entity

Consolidated statement of changes in equity
for the half year ended 31 December 2012

	Note	31 Dec 2012 \$	31 Dec 2011 \$
Balance at 1 July 2012		1,470,066	3,135,605
Loss after income tax for the period		(671,217)	(1,137,019)
Other comprehensive income for the period			
Foreign currency translation differences for the period		(384)	3,374
Total comprehensive income for the period		(671,601)	(1,133,645)
Transactions with owners in their capacity as owners:			
Shares issued	4	1,234,200	-
Cost of raising capital		(14,007)	-
Unissued share capital	5	(150,000)	-
Share-based payments		43,377	992
Total transactions with owners		1,113,570	992
Balance at 31 December 2012		1,912,035	2,002,952

This Consolidated statement of changes in equity is to be read in conjunction with the annual financial report for the year ended 30 June 2012 and the attached notes.

Uscom Limited and its controlled entity

Consolidated statement of cash flows
for the half year ended 31 December 2012

	31 Dec 2012	31 Dec 2011
	\$	\$
Cash flows from operating activities		
Receipts from customers	421,422	432,836
Grants and others received	3,529	3,987
Payments to suppliers and employees	(1,131,763)	(1,700,967)
Interest received	7,414	51,398
Income tax receipt	-	344,896
Net cash used in operating activities	(699,398)	(867,850)
Cash flows from investing activities		
Purchase of plant and equipment	-	(363)
Purchase of patents and trademarks	(19,127)	(50,690)
Net cash used in investing activities	(19,127)	(51,053)
Cash flows from financing activities		
Proceeds from issue of shares and options	1,084,200	-
Share issue costs	(14,007)	-
Net cash provided by financing activities	1,070,193	-
Net increase in cash and cash equivalents	351,668	(918,903)
Net cash and cash equivalents at the beginning of the period	543,754	2,127,408
Exchange rate adjustments to cash and cash equivalents at the beginning of the period	709	(2,252)
Net cash and cash equivalents at the end of the period	896,131	1,206,253

This Consolidated statement of cash flows is to be read in conjunction with the annual financial report for the year ended 30 June 2012 and the attached notes.

Uscom Limited and its controlled entity**Selected Explanatory Notes to the Financial Statements
For the half year ended 31 December 2012****Note 1 – Statement of significant accounting policies**

The half-year consolidated financial report was approved by the Board of Directors on 27 February 2013. 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 2012. This is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations and the Corporations Act 2001.

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 2012 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 same accounting policies have been followed as those applied and discussed in the financial report for the financial year ended 30 June 2012.

(a) Going Concern

The consolidated entity incurred a total comprehensive loss of \$671,601 during the period ended 31 December 2012 (2011: \$1,133,645) and incurred operating cash outflows of \$699,398 (2011: \$867,850).

The consolidated entity's forecasts and projections for the next twelve months take account of the current operational status and future trading performance and indicate that in the directors' opinion the consolidated entity will be able to operate as a going concern.

As noted in the review of operations in the directors' report the consolidated entity has been focussing on development of new evidence that will become the foundation for a new marketing and sales programmes worldwide. The BUSH protocol changes significantly the clinical care of patients with sepsis and is based on application of the USCOM device.

Additionally the BUSH protocol will be used by current distributors to accelerate current sales activities. The consolidated entity is also working on expanded education materials so as to meet the expanded clinical demand as the new evidence becomes widely known, and to provide the training and sales support for the distributors to ensure sales success.

The results of this accelerated marketing process and the potential incremental sales are expected to be reflected in revenues in the next 6 months, but until these revenues are realised the entity is committed to a strategy of tight cost control.

Management is also confident of success with current strategic partnership discussions. However the timing and nature of these partnerships, which will significantly change the economics of the entity, remain currently undefined.

The timing and sales volumes associated with current operational targets may vary from those forecast by management, and this may generate material uncertainty as to the timing of operating cash flows. Should the timing of cash flows be significantly different to those forecasts the consolidated entity may need to seek alternative financing options to enable it to settle its liabilities as they fall due.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The Directors are satisfied that adequate plans and strategies have been formulated and will be adopted as required to allow the company to have sufficient cash to meet its obligations through to 28th of February 2014 (12 months from date on audit report). On this basis the financial report has been prepared on the going concern basis.

Should the company be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the company be unable to continue as a going concern and meet its debts as and when they fall due.

	31 Dec 2012	31 Dec 2011
	\$	\$
Note 2 – Revenue		
Sale of goods	352,366	446,679
<u>Other revenue</u>		
Interest received	7,414	51,398
<u>Other income</u>		
Grants received	-	1,259
Exchange gain	-	1,168
Miscellaneous income	3,529	2,727
Total other income	3,529	5,154
Total revenue	363,309	503,231

Note 3 – Expenses from ordinary activities

Depreciation and amortisation expenses	45,080	63,651
Employee expenses	424,761	548,392
Research and development expenses	281,312	259,337
Advertising and marketing expenses	104,636	378,195
Occupancy expenses	78,493	79,482
Regulatory expenses	47,434	27,777
Administrative expenses	168,316	305,758
Exchange losses	1,815	-
Total expenses from ordinary activities	1,151,847	1,662,592

	31 Dec 2012	30 June 2012
	\$	\$
Note 4 – Issued capital		
<u>Ordinary shares</u>		
Fully paid ordinary shares	22,597,113	21,376,920
Total contributed equity	22,597,113	21,376,920
<u>Movement in issued capital</u>		
Shares on issue at the beginning of the period	21,376,920	21,376,920
Private Placement in July 2012	150,000	-
Private Placement in September and November 2012	1,084,200	-
Share issue cost	(14,007)	-
Ordinary shares at the end of the period	22,597,113	21,376,920
	Number	Number
Ordinary shares at the beginning of the period	52,124,488	52,124,488
Ordinary shares issued during Private Placement	11,034,997	-
Total fully paid ordinary shares at the end of the period	63,159,485	52,124,488

	31 Dec 2012	30 June 2012
	\$	\$
Note 5 – Unissued share capital		
<u>Unissued capital</u>		
Application monies received in advance for share allotment	-	150,000
Total unissued share capital	-	150,000
<u>Movement in unissued capital</u>		
Balance at the beginning of the period	150,000	-
Application monies received in advance for share allotment	-	150,000
Share issued	(150,000)	-
Balance at the end of the period	-	150,000

	31 Dec 2012	30 June 2012
	\$	\$
Note 6 – Options reserve		
Options reserve balance at the beginning of the period	1,379,673	1,373,495
Expenses arising from share-based payment	43,377	6,178
Options reserve balance at the end of the period	1,423,050	1,379,673
	Number	Number
<u>Movement in option number</u>		
Options at the beginning of the period	3,560,000	7,710,000
Granted during the period	3,000,000	1,300,000
Lapsed during the period	(260,000)	(5,450,000)
Options at the end of the period	6,300,000	3,560,000

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 40% of the total sales revenue (2011: 48%).

	Australia	Asia	USA	Europe	Other region	Head office	Total
	\$	\$	\$	\$		\$	\$
31 Dec 2012							
Sales to external customers	-	139,316	53,289	125,181	34,580	-	352,366
Other revenues	10,943	-	-	-	-	-	10,943
Total segment revenue	10,943	139,316	53,289	125,181	34,580	-	363,309
Segment expenses	-	(50,066)	(102,551)	(56,087)	(8,117)	(1,017,705)	(1,234,526)
Segment result before income tax	10,943	89,250	(49,262)	69,094	26,463	(1,017,705)	(871,217)
31 Dec 2011							
Sales to external customers	220	214,698	104,605	112,232	14,924	-	446,679
Other revenues	55,293	-	-	1,259	-	-	56,552
Total segment revenue	55,513	214,698	104,605	113,491	14,924	-	503,231
Segment expenses	(115)	(75,197)	(474,725)	(112,704)	(17,898)	(1,109,611)	(1,790,250)
Segment result before income tax	55,398	139,501	(370,120)	787	(2,974)	(1,109,611)	(1,287,019)

There is no material change to segment assets compared to 30 June 2012.

Note 8 – Contingent liabilities

There were no contingencies as at 31 December 2012.

Note 9 – Significant events

The company completed a private placement raising new capital in total of \$1.2m. In July 2012, 2 million shares were issued at 7.5 cents raising \$150,000 in new capital. In September 2012, another 5.8 million shares were issued at 12 cents raising an additional \$696,000 as part of a private placement to sophisticated investors. The issue was within the company's 15% capacity under Listing Rule 7.1. The offer was over-subscribed and a further 3,234,997 shares were issued at 12 cents after shareholder approval in November 2012 raising another \$388,200 new capital.

Note 10 – Events after Balance Sheet date

There were no events subsequent to 31 December 2012 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 2012 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, 27 February 2013



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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 2012, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entity 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 disclosing entity 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 2012 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

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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.

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:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of \$671,601 during the half year ended 31 December 2012 and, as of that date, the consolidated entity incurred net operating cash outflows of \$699,398. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realize its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

BDO


Tim Sydenham

Partner

27 February 2013

Sydney