

Annual Report

(07)



**Uscom**



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Who we are. What we do.

# Uscom – Improving circulation and saving lives.

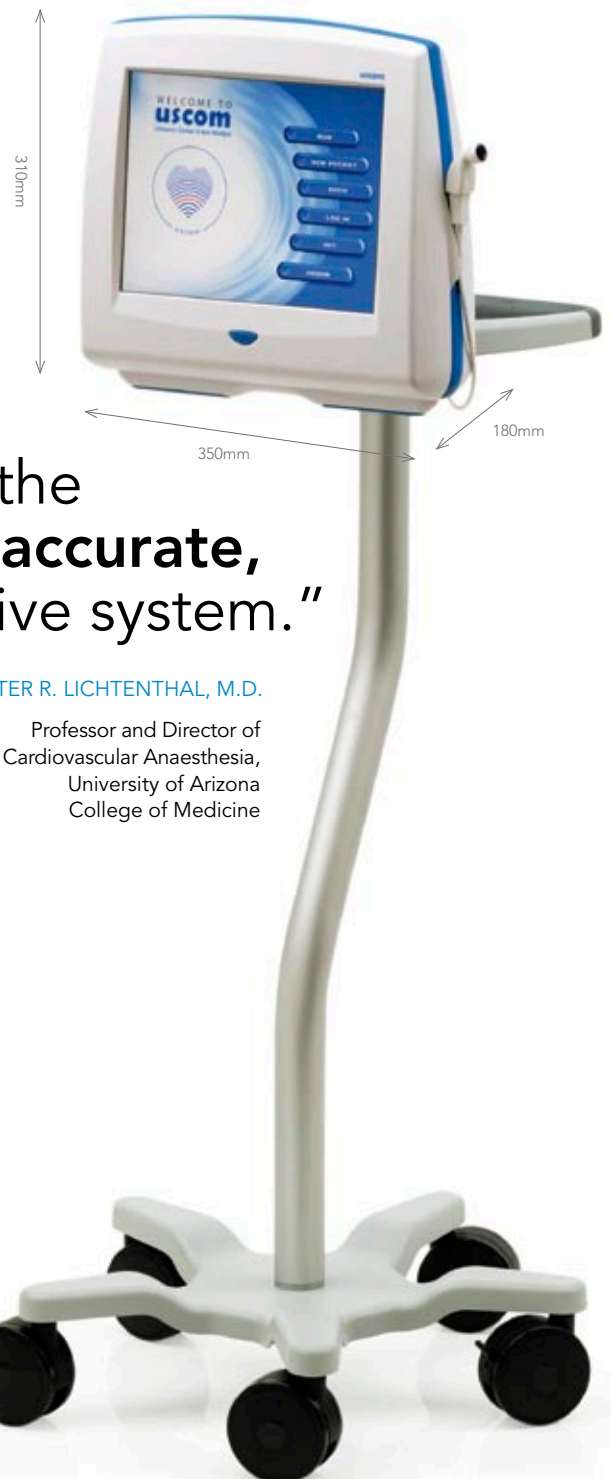
The Uscom non-invasive cardiac output monitor uses innovative electronics, ultrasonics and signal processing to deliver the most advanced solution to the challenge of accurately measuring cardiovascular function. The continuous wave (CW) Doppler-based USCOM 1A permits serial measurement of over 20 haemodynamic parameters in infants, children, and adults, and has applications in Emergency Care, Paediatrics, Intensive Care, Anaesthesiology and Retrieval.

Equipped with  
**FlowTracer** -  
fully automated flow  
profile tracing.

- Real time
- Beat-to-beat
- Automatic measurement recording
- Rapid patient assessment and treatment
- Visual record of measures
- Advanced Trending
- Manual override

## Features

- Compact and easily transportable, weighing only 5kgs (battery powered).
- No costly disposables, such as leads, electrodes or catheters.
- Intuitive touch screen user interface
- With a large hard drive, the USCOM monitor can store thousands of patient files.
- Two-hour battery operation
- Provides accurate and rapid information for both left and right heart for the optimisation of preload, cardiac function and afterload.



“Uscom is the only truly **accurate**, non-invasive system.”

PETER R. LICHTENTHAL, M.D.

Professor and Director of  
Cardiovascular Anaesthesia,  
University of Arizona  
College of Medicine

# (our vision)

## Become the World Leader in Non Invasive Haemodynamics.

Uscom provides unique non-invasive cardiac output monitoring providing a completely safe and accurate measurement of how well the heart is functioning. Uscom monitors allow doctors to rapidly assess a patients condition and make life saving decisions regarding treatment.

This pioneering vision makes Uscom a global leader.  
Uscom – Improving circulation and saving lives.

## Letter from the Chairman



Dear fellow shareholders,

It is with great pleasure that we present your Company's annual report for the year ending 30th June 2007.

We believe that in 2007 we have set the Company on a new course with significant changes to the Board, senior management and strategic goals. These changes are in direct response to the recognised challenges of accessing high volume international markets and will help us optimise our global opportunity. Additionally in 2007 we have achieved major advances in science and intellectual property (IP), and our goal remains that of Uscom Ltd becoming an important international medical device Company and the USCOM 1A a new standard of clinical medical care.

**Board:** This year our Board was significantly altered as we welcomed Mr Paul Butler as CEO and Executive Board member and Mr Bruce Rathie as a new Non-executive Board member, while Mr Roman Zwolenski remains as a Non-executive Board member. Mr Daniel Fah was appointed as the Chief Financial Officer and Company Secretary. These appointments were to consolidate the Board with experience in the vital fields of finance and corporate strategy.

**Senior Management:** In 2007 the Board welcomed Mr Paul Butler as incoming CEO to replace the founding CEO Mr Gary Davey. Mr Davey was a driving force behind the founding and early development of the Company and his contributions to the Company were remarkable. Mr Paul Butler, since his appointment, has continued to focus on developing the operational integrity of the Company and our international activities. As part of his commitment to the globalisation of Uscom he has relocated with his family to the US to drive the marketing and strategic goals of the company in the biggest medical device market in the world.

**Corporate strategy:** In 2007 the Board articulated an ambition to expand access to global markets by strategic partnerships with established international bio-science entities. A number of high level discussions are continuing with some of the major multi-nationals and the Board is optimistic that these discussions will be productive, and result in improved market opportunities.

**Science:** In 2007 we have seen the presentation of over 45 academic papers and abstracts demonstrating the utility of Uscom in clinical practice with over 80 studies being undertaken. Importantly much of this work was focussed on proving the clinical applications of Uscom in adults and children rather than validation of the device. The question has now changed from "Does it work?" to "How do we use it in clinical practice?" This new research helps define the specific areas of practice in which Uscom will be used thus defining our global marketing opportunities and enhancing our potential access to reimbursement. In the conservative field of medicine we have achieved a high level of clinical acceptance relatively rapidly and are now goaling broader clinical adoption. We are exceedingly proud of our science and engineering and this year was really an important step towards the establishment of our technology as a standard of clinical care.

**IP:** 2007 saw acceptance of the core Uscom patent by the European patent Office and the US patent office accepted our method for calculating blood flow in infants. Uscom now has 29 patents and patent applications across 13 patent families. Importantly IP defines our new product opportunities and the direction of our research and development programme. IP is critical for the future of Uscom as it will result in new cardiovascular devices that will add value to our company by significantly contributing to medical care, corporate revenue and the strategic value of Uscom Ltd.

The Board understands that Uscom has much yet to do to deliver satisfactory financial performance but believes that successful execution of the corporate strategy and other initiatives referred to above will take the company a long way towards this objective.

Uscom Ltd continues to develop on all the major business fronts and is increasingly being recognised as an important Medical Device Company with global influence and an abundance of opportunity. A clear focus on operational integrity and strategic opportunity is likely to drive Uscom to profitability and commercial strength, and lead to increased shareholder value. As in the past, the year ahead will be an exciting one and we thank you for your support.

A handwritten signature in black ink that reads "Rob Phillips". The signature is fluid and cursive.

Rob Phillips  
Chairman

## Board of Directors

### Mr Phillips

Chairman of Uscom Ltd



Rob has a Master of Philosophy in Medicine from the University of Queensland and is the author of over 25 patents and patent applications relating to assessment of cardiovascular performance and measurement. He is a recognised pioneer in the field of digital ultrasound and clinical echocardiography and has been prolific at an international level in presenting novel research on new clinical approaches to cardiovascular assessment. Rob is the Head of Cardiac Faculty at the Aust Inst of Ultrasound, Faculty Member of the International Society of Cardiovascular Ultrasound, a Fellow of the Institute of Radiography and is an Examiner for the Australian Society for Ultrasound in Medicine.

### Mr Zwolenski

Non-executive Director of Uscom Ltd



Mr Zwolenski has over thirty years experience in Biomedical product development and sales. He held senior management positions with multinational corporations in Australia and in Europe and has been CEO of two Australian ASX listed biotech product developers. Currently he is the Chairman of Anadis Ltd. Mr Zwolenski has a science degree and has been a fellow of the Australian Institute of Company Directors since 1995. He has served for more than eight years as a non-executive director of several Australian public companies.

### Mr Paul Butler

Chief Executive Officer of Uscom Ltd



Mr Paul Butler has over 15 years operational experience in electronics and medical devices. He holds a Bachelor of Economics and qualifications in Electrical Engineering.

Having held senior roles at Uscom over the past six years Mr Butler has managed the development of the Uscom technology, distribution channels, finance and operations of the company. Prior to Uscom, Mr Butler held senior business development roles at AEMS, logistics at NCR and operations at Scitec.

### Mr Bruce Rathie

Non-executive Director of Uscom Ltd



Mr Bruce Rathie holds degrees in law, commerce and business. Mr Rathie has nearly 15 years experience in Investment Banking in Australia and New York.

He is National Executive Director of the Australian Institute of Management; Chairman of ASX listed BioLayer Corporation Ltd, a non-executive director of PolyNovo Biomaterials Pty Ltd, ASX listed DataDot Technology Ltd, DataTraceDNA Pty Ltd & Carbon Energy Pty Ltd being joint ventures between CSIRO and ASX listed companies and Chairman of Uniting Care Ageing NSW & ACT, one of the largest aged care service providers in NSW.

## Highlights and Milestones

# Making progress. Making history.

## 2006/2007 in review

06)

- |      |  |
|------|--|
| July | <ul style="list-style-type: none"> <li>- Two USCOM units for Sydney Children's Hospital</li> </ul>   |
| Aug  | <ul style="list-style-type: none"> <li>- Uscom sells Coefficient Systems stake</li> <li>- Formation of US subsidiary Uscom Inc.</li> </ul>   |
| Sep  | <ul style="list-style-type: none"> <li>- New Published Study, Journal of Cardiothoracic and Vascular Anaesthesia</li> <li>- New Cardiac Evidence for Uscom</li> <li>- USCOM 1A software release</li> </ul>   |
| Oct  | <ul style="list-style-type: none"> <li>- Uscom brand identity improved.</li> <li>- Utility study presented at Europaediatrics</li> <li>- 3 New studies at the ANZICS Annual Scientific Meeting</li> <li>- 3 New Emergency studies</li> </ul>   |
| Nov  | <ul style="list-style-type: none"> <li>- 2 New studies at the American Society of Anaesthetics Annual Meeting</li> <li>- Emergency Rescue Evidence</li> <li>- New Evidence in Breast Cancer Treatment</li> <li>- Uscom studies published: The Journal of Emergency Medicine, Advanced Critical Care</li> <li>- Uscom receives Deloitte Technology Fast 50 Award</li> </ul> |
| Dec  | <ul style="list-style-type: none"> <li>- Director Appointment: Mr Bruce Rathie</li> </ul>  |

## Highlights and Milestones continued



07)

Jan

- Appointment of New CEO - Mr Paul Butler
- Professor Didier Payen joins Uscom Advisory Board

Feb

- New CFO and Company Secretary
- 5 New Studies presented at the Society of Critical Care Conference

Mar

- Uscom issued US Neonatal/ Paediatric Patent
- Publication in leading journal PACE

Apr

- Royal Flying Doctor Service purchase USCOM unit

Jun

- German Publications confirm USCOM use- Trauma, Exercise, Chemotherapy, and Helicopter Retrieval

July

- Uscom receives Frost and Sullivan 2007 Excellence in Healthcare Award for upcoming Medical Device Company of the Year (Australia).
- Uscom's CEO relocates to the US to help build strategic marketing alliances.
- Europe Patent Granted



2006 / 07

Over 80 Studies conducted.



# CEO Review of Operations



## Executive Summary

### Introduction

The financial year ending 30 June 2007 saw significant progress in the adoption of Uscom technology, specifically in our target area of Paediatrics. Whilst there was success in some areas we failed to achieve the revenue growth that we were targeting.

### Revenue

Revenue of \$1.85 million was far less than expected at the start of the year. This can be attributed to a number of factors, a major factor being trying to approach a very large market without significant capital backing and only a small team.

### Cash

Uscom finished the year with \$4.36 million in cash reserves, a decrease of \$2.86 million from 30 June 2006. Whilst still holding adequate reserves we acknowledge that we have to deliver an improved cash result this year.

### Management

With changes occurring at both Board and Management level, Uscom has people and resources with the skillset required to achieve its strategic goals.

### Focus

Last year we identified that our target market is the Paediatric sector. We continue to believe that this focus on children's medicine is the niche where we will achieve initial adoption as a standard of care. We are making progress in this sector and we will continue to concentrate our efforts here.

We are also continuing our development of professional education and training materials. I believe that this is vital information that will enable clinicians to gain the level of understanding of our product offering that is required for them to decide to purchase.

### Channels

Throughout FY07 there was increased pressure put on our distribution channels to deliver against agreed targets and ensure that they were the correct partners to take the Uscom technology to the market. This has resulted in many changes to our channel structure around the world, most significantly in the USA.

### Technology

The technology group has continued to improve the USCOM 1A and we will continue to develop the Uscom technology and IP. It is important that we are responsive to market feedback and a changing regulatory/reimbursement environment. Uscom has demonstrated strength in developing IP to product ready for market and this is great value for future technology partners.

### Summary

It has been a difficult year for Uscom which has seen changes to the board, management and market strategy. I feel that we are well positioned to focus our resources to clearly identified niche markets which will prove our utility. Uscom will then be able to leverage this via marketing alliances to the larger market.

## Operations

For the year ending 30 June 2007, Uscom has had a year of change, review and confirming clear goals. Changes at board and management level have brought new focus to the task at hand.

The USCOM 1A is being accepted into a wider number of paediatric applications. This was identified as our key market and we have refined our focus into this area. I believe that our product is vitally important for paediatric care and we continue to work on the education and utility of the device as it applies to this market.

Disappointingly our sales growth has not continued as expected and we have recognised limitations in our sales channels. Uscom has had scarce marketing resources that have tried to cover very broad markets. Whilst this has allowed us to access the thought leading centres around the world, it has not allowed us to build a position of strength and penetration into any single market. This was recognised earlier in the financial year and led management to actively pursue the strategy of establishing a strategic alliance in the key USA market. This strategy was announced at the last Uscom Annual General Meeting and significant advances have been made.

At the time of writing progress is being made on several fronts and I, as CEO, have relocated to the USA to ensure that I can actively participate in the realization of a strategic alliance that will provide value to Uscom shareholders. This is already showing benefits through an improved level of interaction with potential partners. The other major benefit is that I am actively promoting the product to our target market and am gaining a better insight as to the requirements of selling into the US market.

## Revenue

Total revenue for the year was \$1.85 million and this was made up of;

\$871k sales revenue

\$454k revenue from sale of Uscom holding in Coefficient Systems

\$522k other revenue, this includes interest and grants



Uscom Transducer

## Sales and Marketing

Uscom is focusing its resources into supporting the channels that will contribute to cash this year.

The USA market is the key market that Uscom needs to succeed in. The approach taken in FY07 did not deliver the expected results and this has resulted in a restructure of this channel. The cost base has been significantly reduced and our resources are being focused at the paediatric market on a more local level. Last year our resources were spread very thin trying to follow up every opportunity across the country. This was not only costly and inefficient, it did not allow us to build a relationship and gain awareness with our customers.

This year we are focusing our people on selected key growth areas. This model is targeted to bring Uscom Inc. to profitability through revenue growth and reduced cost. In conjunction with this I am looking to expand the US coverage through the aforementioned Strategic Alliance.

In Australia Len Bevis, Uscom's Australasian Sales Manager, has built a team that is targeted to be cash accretive this financial year. This will be achieved through expansion of units into the regional network of hospitals in Australia and New Zealand. During FY 07 this team continued to place units throughout Australia, several under the lease and rental programmes that were introduced at the start of the year.

North Asia partner, Pacific Medical Systems has continued to expand Uscom adoption in China, Korea and Taiwan. Pacific Medical Systems has a long history with Uscom and they are significant shareholders in the business, they are starting to see the return from their investment in the Taiwan and Korea market. These regions are always long lead time due to a strict regulatory policy and long capital approval cycles. This financial year they will expand their coverage to include Singapore, Malaysia and Thailand.

In Europe, Uscom's distributor for Germany and Switzerland, LEA Medizintechnik is seeing some success from their marketing efforts of the last three years. With an excellent reference site in Hanover and a growing installed base the level of interest is steadily improving. LEA has been successful in selling multiple units into a single hospital in Munich. They are also helping Uscom approach markets in Eastern Europe and Turkey.

We appointed a new distributor for Austria at the start of this financial year. Dr Guttman is a medical device distribution company that has established relationships throughout Austria. They have several strong leads and are optimistic about getting some early success.

Uscom has gone direct in the UK market ending a 4 year distribution relationship. Whilst there were several very strong prospects being developed in the later half of FY07 none of them were brought to closure. Beaver Medical was being purchased by another organisation and this resulted in little focus on the Uscom product. Our direct approach will be via our UK representative, Ms Ali Hughes-Jones.

Efforts from our Marketing team have led to the production of a new corporate image and collaterals to help Uscom stand out in the world of medical devices. The new look has a cleaner, more professional look and is being noticed in the marketplace.

The marketing team are now working on refreshing the Uscom website to ensure that it readily provides the information that our stakeholders are looking for, be they customers, shareholders, distribution partners or employees

We continued to promote the Uscom technology at the major conferences around the world. There is strong response at these conferences and we are reminded of the medical communities desire to move towards non invasive technologies wherever possible.

Uscom key opinion leaders continue to present positive scientific evidence that supports the uptake of Uscom technology. These papers have been presented at major conferences like the Society for Critical Care Medicine, European Society of Paediatric and Neonatal Intensive Care and the World Congress of Paediatric Critical Care.

## Technology

The Technology team continued to deliver high quality products throughout FY07. They have made some significant advances to the product like the addition of Oximetry to the device and releasing an advanced trending module which enhances the way that the USCOM 1A delivers information to clinicians.

## Corporate Governance Statement

Shareholders of Uscom Ltd will be familiar from previous reports with the company's fundamental and continuing commitment to high standards of corporate governance. Our corporate Governance Statement 2006/2007 once again outlines our policies and practices by reference to the 'principles of Good corporate Governance and Best Practice Recommendations' published by the ASX Corporate Governance Council. These Guidelines continue to provide sound guidance for the policies and practices adopted by Uscom Ltd as well as for our reporting in this Statement. During the year the Board again reviewed its policies and practices against the Guidelines.

In general these policies have not changed from last year.

The following is a point-by-point explanation of Uscom's compliance or otherwise with the 10 core principles.

### Principle 1: lay solid foundations for management and oversight

The Board has adopted a charter that sets out the responsibilities reserved by the Board, those delegated to the Chief Executive Officer and those specific to the Chairman.

### Principle 2: structure the board to add value

Uscom Ltd has the services of a board with a wide range of professional experience in fields such as science, medicine, marketing and international business.

The board consists of:

Mr Rob Phillips, Chairman Executive Director

Mr Paul Butler, CEO Executive Director

Mr Roman Zwolenski, Independent Director

Mr Bruce Rathie, Independent Director

#### Recommendation 2.1

A majority of the board should be independent directors.

The board consists of four members, two of whom are non-executive directors. The company takes the view that two non-executive directors are also independent directors. In the interests of transparency, the company discloses relationships or business associations which may impact a person's own interpretation of the definition of independent.

All currently serving Non-executives are independent.

#### Recommendation 2.2

The Chairperson should be an independent director.

The Chairman of Uscom Limited, Mr Rob Phillips is an active member of the executive management team, is the company's largest single shareholder and is not an independent director. The company's non-compliance with this recommendation is based on a sound assessment of the best interests of all the stakeholders. Mr Phillips, as the inventor and founder of Uscom carries forward the vision and strategic direction of the company. The company believes it is essential that it maintain this momentum and continuity through the early formative years of the company.

#### Recommendation 2.3

The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual. The Chairperson is Mr Rob Phillips.

The Chief Executive Officer is Mr Paul Butler.

#### Recommendation 2.4

The board should establish a nomination committee

The company believes that a nomination committee is not necessary at this stage of the company's development. Issues relating to board membership will continue to be overseen by the full board. The company believes this to be justified given the relatively small size of the board (i.e. 4 members) and that significant growth in the number of directors is not envisaged in the medium term.

#### Recommendation 2.5

Provide the information indicated in Guide to reporting on principle 2.

- The skills, experience and expertise relevant to the position of director held by each director in office (Refer to Director's Report)
- The company believes that a nomination committee is not necessary at this stage of the company's development therefore does not hold nomination meetings.
- The names of the directors considered by the board to constitute independent directors and the company's materiality threshold can be found in the Director's Report.

- A statement detailing the procedure agreed by the board for directors to take independent professional advice at the expense of the company can be found in the Remuneration Report.
- Refer to the Director's Report for the term of office held by each director in office.

### Principle 3: promoting ethical and responsible decision making

#### Recommendation 3.1

Establish a code of conduct to guide the directors, the Chief Executive Officer and other key executives as to:

*3.1.1 The practices necessary to maintain confidence in the company's integrity.*

*3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practice.*

The company has developed a code of conduct for directors, management and staff, underlining the company's commitment to high ethical standards in the conduct of the company's business.

The board of directors is responsible for ensuring the company's compliance with the code and the good and fair management of reports of any breaches.

#### Recommendation 3.2

Disclose the policy concerning trading in company securities by directors, officers and employees.

The company has adopted a policy in relation to share trading, which applies to all staff, management and directors, members of their families and any trust or family companies in which they may have an interest.

### Principle 4: safeguard integrity in financial reporting

#### Recommendation 4.1

Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The Chief Executive Officer and the Chief Financial Officer, who supervises financial and accounting matters, are required to sign off on the company's accounts, as recommended.

#### Recommendation 4.2

The board should establish an audit committee.

The Board has established an Audit and Risk committee.

#### Recommendation 4.3

Structure the audit committee so that it consists of:

- only non-executive directors;
- a majority of independent directors;
- an independent chairperson, who is not chairperson of the Board;
- at least three members.

The committee is made up of two members with the majority being independent directors and has an independent director as chairman.

#### Recommendation 4.4

The audit committee should have a formal charter.

The Audit and Risk committee charter is published on the company's website along with the complete set of Corporate Governance Documentation.

#### Recommendation 4.5

Provide the information indicated in Guide to reporting on Principle 4.

Names and Qualifications of those appointed to the audit committee (Refer to Director's profiles in Director's Report).

The Number of Meetings of the Audit Committee and the names of attendees (Refer to Director's Report).

**Principle 5****Recommendation 5.1**

Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.

The company has produced and adopted a disclosure policy, which has been communicated to all directors, managers and employees.

**Principle 6****Recommendation 6.1**

Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

Uscom Limited is committed to keeping shareholders fully informed of significant developments and activities at the company.

The company's primary communications tool is its website, and all announcements are posted on the front page of the site, immediately after they are released to the ASX through the appropriate electronic publication procedure.

All announcements, dating back to May 2001, remain available on the website.

In addition, the website provides an "Investors" section, where more detailed information is available, including access to all of the company's financial statements and the delayed share trading data produced by ASX.

Where information may be provided to market analysts or the media which is materially incremental to the announcements already published, this information would be treated as an announcement and published accordingly.

Shareholders are encouraged to actively communicate with the company through contact details provided on the website.

The company also encourages shareholders to participate in the annual general meeting, which will be held in central Sydney.

Ample notice of this meeting will be provided. All documents and presentations delivered to the annual meeting will be posted immediately on the company website.

**Recommendation 6.2**

Request the external auditor to 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 auditor's report.

The company's auditors, PKF chartered Accountants will be in attendance at the Annual General Meeting and will be available to answer questions from shareholders.

**Principle 7: recognise and manage risk****Recommendation 7.1**

The board or appropriate board committee should establish policies on risk oversight and management.

The company has appointed an Audit and Risk committee. The committee is charged with oversight of the company's risk profile.

**Recommendation 7.2**

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the board in writing that:

**7.2.1** *The statement given is in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.*

**7.2.2** *The company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects.*

The Chief Executive Officer and the Chief Financial Officer will state in writing to the board, as above.

**Recommendation 7.3**

Description of the company's Risk management policy.

Refer to Audit and Risk committee charter.

**Principle 8: encourage enhanced performance****Recommendation 8.1**

Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.

As stated previously, the company does not currently see the need for a Nomination committee, given the relatively small size of the board.

The performance of directors committees and key executives will be reviewed by the full board, on an annual basis, or more often if appropriate.

The criteria for the measurement of directors' performance are:

1. Attendance at board meetings and/or committee meetings
2. Level of participation in strategic decision making
3. Responsiveness to requests for activity outside meetings

The company will produce a set of procedures for the induction of new directors and senior executives of the company. This will include a detailed briefing about the strategic direction of the company and a full set of appropriate documents for the education of the new member.

**Principle 9: remunerate fairly and responsibly****Recommendation 9.1**

Provide disclosure in relation to the company's remuneration policies to enable investors to understand

(i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

For further information see Remuneration Report from pages 16 to 20.

**Recommendation 9.2**

The board should establish a remuneration committee.

Given the relatively small size of the Uscom board, the company does not currently see the need for a separate Remuneration committee.

**Recommendation 9.3**

Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

For further information see Remuneration Report from pages 16 to 20.

**Principle 10: recognise the legitimate interests of stakeholders****Recommendation 10.1**

Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The company has produced and adopted a code of conduct, which has been communicated to all directors, managers and employees and is published on the company's website as part of its Corporate Governance documentation.

## Directors' Report

The Directors present their report on Uscom Ltd and its controlled entity for the financial year ended 30 June 2007.

### Directors

The following persons were directors of Uscom Ltd during the whole of the financial year and up to the date of this report unless otherwise indicated.

Mr R A Phillips	Executive director - Chairman
Mr G D Davey	Executive director - Chief Executive Officer & Deputy Chairman (resigned on 9 January 2007)
Mr L H Fay	Non-Executive director (resigned on 7 September 2006)
Dr F R Berry	Non-Executive director (resigned on 8 September 2006)
Mr R Zwolenski	Non-Executive director
Mr B Rathie	Non-Executive director (Appointed on 1 December 2006)
Mr P W Butler	Executive director - Chief Executive Officer (Appointed on 30 January 2007)

### Directors' Qualifications and Experience

#### Mr Rob Phillips

Mr Phillips has a Master of Philosophy in Medicine from the University of Queensland and is the author of over 25 patents and patent applications relating to assessment of cardiovascular performance and measurement. He is a recognised pioneer in the field of digital ultrasound and clinical echocardiography and has been prolific at an international level in presenting novel research on new clinical approaches to cardiovascular assessment. Mr Phillips is the Head of Cardiac Faculty at the Aust Inst of Ultrasound, Faculty Member of the International Society of Cardiovascular Ultrasound, a Fellow of the Institute of Radiography and is an Examiner for the Australian Society for Ultrasound in Medicine.

#### Mr Paul Butler

Mr Butler is the Chief Executive Officer of Uscom Ltd since 30 January 2007. He has over 15 years operational experience in electronics and medical devices. He holds a Bachelor of Economics and qualification in Electrical Engineering. Having held senior roles at Uscom Ltd over the past six years Mr Butler has managed the development of the USCOM technology, distribution channels, finance and operations of the company. Prior to Uscom Ltd, Mr Butler held senior business development roles at AEMS, logistics at NCR and operations in Scitec.

#### Mr Roman Zwolenski

Mr Zwolenski is a non-executive director of Uscom Ltd. He has more than 8 years experienced as a non executive director of a number of ASX listed biotech companies and is currently Chairman of Anadis Limited. After graduating from the University of New South Wales with a BSc in biosciences, Mr Zwolenski worked for 16 years in senior executive positions with international biomedical and pharmaceutical companies including Roche in Australia, the UK and Switzerland. This was followed by 8 years as the CEO of two ASX listed biotech companies.

During the past three years Mr Zwolenski held the positions of the below listed companies:

- Ambri Ltd Non-executive director September 2003 – October 2004  
Managing director / Chief executive officer October 2004 – May 2007
- Anadis Ltd Non-executive director September 2002 – present

Mr Zwolenski is a member of the Audit and Risk Committee.

#### Mr Bruce Rathie

Mr Rathie is a non-executive director of Uscom Ltd. He holds degrees in law, commerce and business and has considerable experience as a lawyer having practiced as a solicitor and partner in a major Brisbane based legal firm and then as Senior in-house Counsel to Bell Resources Limited from 1980 to 1985 in aggregate. He studied for his MBA in Geneva and then went into investment banking in 1986 which subsequently took him to New York for over 2 years returning to Sydney in 1990. He spent the 90's in investment banking in Sydney, the last 5 years of which as a Director of Investment Banking at Salomon Brothers/ Salomon Smith Barney where he was responsible for the firm's activities/ roles in the industrial sector and the Federal Government's privatisation of Qantas, Commonwealth Bank (CBA3) and Telstra (T1). Mr Rathie has been in business since 2000 and currently is, in addition to his part time role as National Executive Director of the Australian Institute of Management, holding board positions with a number of Australian companies.

During the past three years Mr Rathie held the positions of the below listed companies:

- Compumedics Limited Non-executive director October 2004 – December 2006
- Datadot Technology Limited Non-executive director December 2006 – present
- BioLayer Corporation Limited Chairman and non-executive director July 2006 – present

Mr Rathie is a member of the Audit and Risk Committee.

## Directors' Report continued

## Company Secretary's Qualifications and Experience

Mr Daniel Fah

Mr Fah was appointed as Company Secretary and Chief Financial Officer of Uscom Ltd on 30 January 2007. Mr Fah has extensive experience developed in a variety of industries in Australia, United Kingdom and North America and brings a wealth of commercial and international expertise to the company's management team. He has a Bachelor of Business Studies Degree, is a member of the Institute of Chartered Accountants of Australia and is a member of the Australian Institute of Company Directors.

## Meetings of Directors

Directors	Board of Directors		Audit and Risk Committee	
	Meetings held while a Director	No. of meetings attended	Meetings held while a Director	No. of meetings attended
R A Phillips	9	9	-	-
G D Davey	4	3	-	-
L H Fay	1	-	1	-
F R Berry	1	-	1	1
P Butler	5	5	-	-
R Zwolenski	9	9	3	3
B Rathie	6	6	2	2

*Principal Activities*

Uscom Ltd is engaged in the development, design, manufacture and marketing of non-invasive cardiac monitoring devices. Uscom Ltd owns a portfolio of intellectual property relating to the technology and techniques associated with these devices and manages a worldwide network of distribution partners for the sale of its equipment to hospitals and other medical care locations. Uscom Ltd owns 100% of Uscom, Inc. a company engaged in the sale and promotion of USCOM devices primarily in the United States.

*Operating Result*

The loss of the Consolidated Entity (consisting of Uscom Ltd and Uscom, Inc.) after providing for income tax amounted to \$3,196,824 (2006: \$3,374,210)

*Dividends*

No dividends were declared or recommended for the financial year ended 2007.

*Significant Changes in State of Affairs*

Uscom, Inc., a wholly own subsidiary of Uscom Ltd officially started operating in the United States from 1 October 2006.

*Operating and Financial Review*

The operating and financial review is stated on pages 8 to 9 of the annual report.

*Post Balance Date Events*

No matter or circumstance has arisen since the end of the financial year to the date of this report, that has significantly affected or may significantly affect the activities of the Consolidated Entity, the results of those activities or the state of affairs of the Consolidated Entity in the ensuing or any subsequent financial year.

*Future Developments*

Other than the business activities described in the annual report, the Board is not aware of any likely developments in the foreseeable future which may materially impact on the financial outlook of the Consolidated Entity.

*Environmental Issues*

The Consolidated Entity's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.

*Indemnifying Officers*

The company has paid premiums to insure all directors and executives against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a willful breach of duty in relation to the company.



***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 Company may decide to employ the auditor on assignments additional to their audit duties where the auditor's expertise and experience with the company are important.

\$10,670 was paid for non-audit services provided by PKF Chartered Accountants & Business Advisers during the financial year to the company. The directors of the Company consider that there were no impacts on auditors' independence, as the nature of the services provided does not compromise the general principles relating to the auditor independence in accordance with APES 110 code of ethics for professional accountants set by the Accounting Professional And Ethical Standards Board.

Refer to note 26 of the financial statements on page 41 for details of auditors' remuneration.

***Auditor's Independence Declaration***

The auditor's independence declaration under section 307C of the Corporation Act is set out on page 21 and forms part of the Directors' Report.

**Remuneration Report**

This remuneration report has been prepared by the directors of Uscom Ltd to comply with the Corporations Act 2001 and the Key Management Personnel (KMP) disclosures required under AASB 124.

***Key Management Personnel***

The following were key management personnel of the entity at the start of the financial year to the date of this report unless otherwise stated:

***Non-executive Directors***

Roman Zwolenski, Non-executive Director

Bruce Rathie, Non-executive Director (Appointed on 1 December 2006)

Luke Fay, Non-executive Director (Resigned on 7 September 2006)

Dr Fred Berry, Non-executive Director (Resigned on 8 September 2006)

***Executive Directors***

Rob Phillips, Executive Director, Chairman

Paul Butler, Executive Director, Chief Executive Officer (Appointed on 30 January 2007)

Gary Davey, Executive Director, Chief Executive Officer (Resigned on 9 January 2007)

***Senior Executives***

Daniel Fah, Chief Financial Officer, Company Secretary (Appointed on 30 January 2007)

Barry Zakar, Vice President of Uscom, Inc.

Ali Hughes-Jones, Marketing Executive, Europe

Nick Schicht, Technical Manager

Len Bevis, National Sales Manager

In the directors' opinion, there are no other executives of the entity.

***Remuneration Policies***

The Board is responsible for reviewing the remuneration policies and practices of the company, including the compensation arrangements of executive directors, non-executive directors and senior executives.

The company has adopted remuneration policies based on performance and contribution for determining the nature and amount of emoluments of board member and senior executives. The objective of these policies is to:

- (a) Make Uscom Ltd and its Consolidated Entity an employer of choice
- (b) Attract and retain the highest calibre personnel
- (c) Encourage a culture of reward for effort and contribution
- (d) Set incentives that reward short and medium term performance for the company
- (e) Encourage professional and personal development

## Directors' Report continued

In the case of senior executives, a recommendation for compensation review will be made by the Chairman to the board, which will conduct a performance review.

**Non-executive Directors**

The Board determines the non-executive director remuneration by independent market data for comparative companies.

As at the date of this report the maximum aggregate remuneration payable out of the funds of the Entity to non-executive directors of the Company for their services as directors including their service on a committee of directors is \$165,000 per annum.

Non-executive directors' base fees are presently \$35,000 per annum. Non-executive directors do not receive any performance related remuneration, therefore they do not receive bonuses or non-cash benefits.

Non-executive directors' retirement payments are limited to compulsory employer superannuation.

**Executive Directors And Senior Management Remuneration**

The company's remuneration policy directs that the remuneration package appropriately reflects the executives' duties and responsibilities and that remuneration levels attract and retain high caliber executives with the skills necessary to successfully manage the company's operations and achieve its strategic and financial objectives.

The total remuneration packages of executive directors and senior management are on salary basis. In addition to base salary, the company has a policy of rewarding extraordinary contribution to the growth of the company with the grant of an annual discretionary cash bonus and options under the company's Employee Share Option Plan.

Executives are also entitled to be paid for their reasonable travel, accommodation and other expenses incurred in consequence in the execution of duties.

Other than the Uscom Ltd Employee Share Option Plan, the Company does not provide any other non-cash benefits in lieu of base salary to executives.

Remuneration packages for executive directors and senior executives generally consist of three components:

- Fixed remuneration which is made up of cash salary, salary sacrifice components and superannuation.
- Short term incentives
- Long term incentives which include issuing options pursuant to the Uscom Ltd Employee Share Option Plan.

**Fixed Remuneration**

Senior executives who possess a high level of skill and experience are offered a competitive base salary. The performance of each executive will be reviewed annually. Following the review, the Company may in its sole discretion increase the salary based on that executive's performance, productivity and such other matters as the Board considers relevant.

Superannuation contribution by the Company is limited to the statutory level at 9% of wages and salaries.

**Short-term Incentives**

The remuneration of Uscom Ltd senior executives does not include any short-term incentive bonuses as part of their employment conditions except for the National Sales Manager who on achieving a specific sales target will receive a bonus payment. The board may however approve discretionary bonuses to executives in relation to certain milestones being achieved.

**Long-term Incentives**

The Company has adopted a Share Option Plan for the benefit of executive directors, full-time and part-time staff members employed by the Company.

In accordance with the Plan, exercise price is based on 85% of the average ASX closing price for the 5 days prior to offer/acceptance of the options. Each option is issued for a period of 4 years, which vest 25% in tranches throughout the period.

The Board, at its discretion, may approve the issue of options under the Employee Share Option Plan to senior executives. The vesting of options issued may be conditional upon the achievement of performance hurdles determined by the Board from time to time. The Board may propose the issue of options to directors, however this will be subject to shareholder approval at the Annual General Meeting.

Independent data from applicable sources may be requested by the Board to assess whether the performance hurdles have been met.

**Service Agreements**

The Company has entered into service agreements with the Chairman and Chief Executive Officer that

- Outlines the components of remuneration payable; and
- Specifies term and termination conditions.

Details of the service agreement are as follows:

## Directors' Report continued

**Term**

The executive employment agreements are for a term of 3 years. The term of employment may be extended by the Company after the expiration of the initial 3 year term.

Each executive may not, during the term of the employment agreement, perform work for any other person, corporation or business without the prior written consent of the Company.

**Termination**

Despite anything to the contrary in the agreement, the Company or the executive may terminate the employment at any time by giving the other party 3 months' notice in writing.

If either the Company or the executive gives notice of termination, the Company may, at its discretion, choose to terminate the executive's employment immediately or at any time during the notice period and pay the executive an amount equal to the salary due to him for the residual period of notice at the time of termination.

Where the executive give less than 3 months' written notice, the Company may withhold from the executive's final payment an amount equal to the shortfall in the notice period.

The employment of each executive may be terminated immediately without notice or payment in lieu in the event of any serious or persistent breach of the agreement, any serious misconduct or willful neglect of duties, in the event of bankruptcy or any arrangement or compensation being made with creditors, on conviction of a criminal offence, permanent incapacity of the executive or a consistent failure to carry out duties in a manner satisfactory to the Company.

**Directors and Executives Remuneration**

Remuneration includes salaries, benefits and superannuation contributions in respect of the financial year 2007.

	Short term benefits			Post employment benefits	Equity	Total Remuneration
	Directors' Base Fee	Base salary	Other payments	Superannuation	Share-based payment	
	\$	\$	\$	\$	\$	\$
<b>Non-executive director</b>						
L H Fay (to 7 September 06)	6,506	-	-	586	-	7,092
F R Berry (to 8 September 06)	6,641	-	-	598	-	7,239
R Zwolenski	23,333	-	-	14,817 <sup>(1)</sup>	8,118	46,268
B Rathie (from 1 December 06)	20,417	-	-	1,838	8,118	30,373
<b>Executive director</b>						
R A Phillips	-	141,284	-	12,716	8,118	162,118
G D Davey (to 9 January 07)	-	50,798	-	30,732	-	81,530
P W Butler (from 30 January 07)	-	65,397	-	5,886	2,055	73,338 <sup>(2)</sup>
<b>Specified executive</b>						
P W Butler (to 29 January 07)	-	89,603	-	8,064	2,816	100,483
D Fah (from 30 January 07)	-	-	11,400 <sup>(3)</sup>	-	-	11,400
B Zakar	-	152,691	-	12,979	4,059	169,729
A Hughes-Jones	-	114,002	-	15,591	4,059	133,652
N Schicht	-	132,600	-	11,934	4,871	149,405
L Bevis	-	90,073	-	8,107	4,059	102,239
<b>Total</b>	<b>56,897</b>	<b>836,448</b>	<b>11,400</b>	<b>123,848</b>	<b>46,273</b>	<b>1,074,866</b>

(1) \$11,667 salary was sacrificed to post employment benefit during FY2007.

(2) Package was proportioned by roles held during FY2007.

(3) Disbursements were made to CFO Strategic Chartered Accountants for the services provided by Mr Fah.

## Directors' Report continued

**Directors and Executives Remuneration (continued)**

Remuneration includes salaries, benefits and superannuation contributions in respect of the financial year 2006.

	Short term benefits			Post employment benefits	Equity	Total Remuneration
	Directors' Base Fee	Base salary	Other payments	Superannuation	Share-based payment	
	\$	\$	\$	\$	\$	\$
<b>Non-executive director</b>						
L H Fay	35,000	-	-	3,150	2,593	40,743
F R Berry	35,000	-	-	3,150	2,593	40,743
R Zwolenski	35,000	-	-	3,150	2,593	40,743
<b>Executive director</b>						
R A Phillips	-	141,284	-	12,716	2,593	156,593
G D Davey	-	93,284	-	60,7163 <sup>(3)</sup>	2,593	156,593
<b>Specified executive</b>						
P W Butler	-	155,000	35,000 <sup>(1)</sup>	17,100	23,953	231,053
B Zakar	-	154,440	-	13,464	14,229	182,133
A Hughes-Jones	-	130,676	-	15,655	-	146,331
N Schicht	-	128,750	25,000 <sup>(2)</sup>	13,838	12,870	180,458
<b>Total</b>	<b>105,000</b>	<b>803,434</b>	<b>60,000</b>	<b>142,939</b>	<b>64,017</b>	<b>1,175,390</b>

(1) Performance related discretionary cash bonus resulting from the successful achievement of goals including the building sales infrastructure in Australia and Europe as well as gaining FDA approval.

(2) Performance related discretionary cash bonus resulting from the successful achievement of goals including product improvements and gaining FDA approval.

(3) \$48,000 salary was sacrificed to post employment benefit in FY 2006.

**Number of options over ordinary shares held by directors and specified executives**

	Balance	Granted	Exercised	Lapsed	Balance	Total vested & exercisable
	1 July 2007	During FY2007	During FY2007	During FY2007	30 June 2007	30 June 2007
	No.	No.	No.	No.	No.	No.
<b>Non-executive director</b>						
L H Fay	40,000	-	-	40,000	-	-
F R Berry	40,000	-	-	40,000	-	-
R Zwolenski	40,000	50,000*	-	-	90,000	40,000
B Rathie	-	50,000*	-	-	50,000	-
<b>Executive director</b>						
R A Phillips	40,000	50,000*	-	-	90,000	40,000
G D Davey	40,000	-	-	40,000	-	-
P W Butler	200,000	30,000	-	-	230,000	187,500
<b>Specified executive</b>						
D Fah	-	-	-	-	-	-
B Zakar	50,000	25,000	-	-	75,000	37,500
A Hughes-Jones	-	25,000	-	-	25,000	-
N Schicht	107,000	30,000	-	-	137,000	100,250
L Bevis	-	25,000	-	-	25,000	-
<b>Total</b>	<b>557,000</b>	<b>285,000</b>	<b>-</b>	<b>120,000</b>	<b>722,000</b>	<b>405,250</b>

\*Subject to shareholder approval at the next Annual General Meeting.

Further details of the options are disclosed in note 19 of the financial statements.

Directors' Report continued

**Number of shares held by directors and specified executives (including indirect interest)**

	Balance 1 July 2006	Received as Remuneration	Options Exercised	Net change Other*	Balance 30 June 2007	Balance at Date of resignation
	No.	No.	No.	No.	No.	No.
<b>Non-executive director</b>						
L H Fay	737,500	-	-	-	N/A	737,500
F R Berry	150,000	-	-	-	N/A	150,000
R Zwolenski	125,000	-	-	100,000	225,000 <sup>(1)</sup>	N/A
B Rathie	-	-	-	5,000	5,000	N/A
<b>Executive director</b>						
R A Phillips	16,750,000	-	-	100,000	16,850,000 <sup>(2)</sup>	N/A
G D Davey	6,259,000	-	-	-	N/A	6,259,000 <sup>(3)</sup>
P W Butler	275,000	-	-	-	275,000	N/A
<b>Specified executive</b>						
D Fah	-	-	-	5,000	5,000 <sup>(4)</sup>	N/A
B Zakar	-	-	-	-	-	N/A
A Hughes-Jones	-	-	-	-	-	N/A
N Schicht	8,700	-	-	-	8,700 <sup>(5)</sup>	N/A
L Bevis	-	-	-	-	-	N/A
<b>Total</b>	<b>24,305,200</b>	<b>-</b>	<b>-</b>	<b>210,000</b>	<b>17,368,700</b>	<b>7,146,500</b>

\*Net change other refers to share purchased or sold during the financial year.

(1) All these ordinary shares are held by Z-link Pty Ltd Super Fund, Mr Zwolenski is a trustee of this fund.

(2) 60,000 of these ordinary shares are held by Northern Cardiac Sonography Pty Ltd. Mr Phillips is a Director and controller of this company. 200,000 of these ordinary shares are held by Northern Cardiac Sonography Pty Ltd as trustee for the Phillips Family Superannuation.

(3) 180,000 of these ordinary shares are held by Davey Superannuation Nominees Pty Ltd. Mr Davey is a trustee, but not a beneficiary.

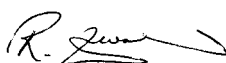
(4) All these ordinary shares are held by Fah Investments Ltd Partnership.

(5) 5,000 of these ordinary shares are held by family associate.

This Director's report is signed in accordance with a resolution of the board of directors.



Rob Phillips  
Director  
Sydney, 28 August 2007



Roman Zwolenski  
Director

## Auditor's Independence Declaration



Chartered Accountants  
& Business Advisers

To: The Directors

Uscom Limited

As lead engagement partner for the audit of Uscom Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'T Sydenham'.

Tim Sydenham  
Partner  
Sydney

A handwritten version of the PKF logo in black ink.

PKF

Dated this 28th day of August 2007

## Income Statement

For the financial year ended 30 June 2007

Continuing operations	Note	Consolidated		Parent Entity	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenues from ordinary activities	2	1,847,232	1,716,529	1,815,549	1,716,529
Raw materials and consumables used		(125,038)	(201,293)	(126,289)	(201,293)
Expenses from ordinary activities, excluding finance costs	3	(5,225,432)	(5,158,809)	(5,238,331)	(5,158,809)
Finance costs		-	-	-	-
<b>Loss before income tax credit</b>		<b>(3,503,238)</b>	<b>(3,643,573)</b>	<b>(3,549,071)</b>	<b>(3,643,573)</b>
Income tax credit	4	306,414	269,363	306,414	269,363
<b>Loss after income tax credit</b>	5	<b>(3,196,824)</b>	<b>(3,374,210)</b>	<b>(3,242,657)</b>	<b>(3,374,210)</b>
Earnings per share (EPS)					
Basic earnings per share (cents per share)	6	(8.4)	(8.9)		
Diluted earnings per share (cents per share)	6	(8.4)	(8.9)		

This Income Statement is to be read in conjunction with the attached notes.

## Balance Sheet

As at the financial year ended 30 June 2007

	Note	Consolidated		Parent Entity	
		2007 \$	2006 \$	2007 \$	2006 \$
<b>Current assets</b>					
Cash and cash equivalents	7	4,360,102	7,222,322	4,333,857	7,222,322
Trade and other receivables	8	296,845	441,592	209,653	441,592
Inventories	10	239,237	224,962	234,527	224,962
Tax assets	11	306,414	269,343	306,414	269,343
Other assets	14	98,389	221,515	91,399	221,515
<b>Total current assets</b>		<b>5,300,987</b>	<b>8,379,734</b>	<b>5,175,850</b>	<b>8,379,734</b>
<b>Non-current assets</b>					
Trade and other receivables	8	10,109	23,350	10,109	23,350
Financial assets	9	-	100,030	1,000	100,030
Plant and equipment	12	246,399	355,529	244,549	355,529
Intangible assets	13	377,152	291,929	377,152	291,929
<b>Total non-current assets</b>		<b>633,660</b>	<b>770,838</b>	<b>632,810</b>	<b>770,838</b>
<b>Total assets</b>		<b>5,934,647</b>	<b>9,150,572</b>	<b>5,808,660</b>	<b>9,150,572</b>
<b>Current liabilities</b>					
Trade and other payables	15	244,009	467,208	228,413	467,208
Short term provisions	16	126,620	119,025	126,620	119,025
Lease incentives	17	8,701	6,469	8,701	6,469
<b>Total current liabilities</b>		<b>379,330</b>	<b>592,702</b>	<b>363,734</b>	<b>592,702</b>
<b>Non-current liabilities</b>					
Long term provisions	16	54,701	48,603	54,701	48,603
Lease incentives	17	4,350	-	4,350	-
<b>Total non-current liabilities</b>		<b>59,051</b>	<b>48,603</b>	<b>59,051</b>	<b>48,603</b>
<b>Total liabilities</b>		<b>438,381</b>	<b>641,305</b>	<b>422,785</b>	<b>641,305</b>
<b>Net assets</b>		<b>5,496,266</b>	<b>8,509,267</b>	<b>5,385,875</b>	<b>8,509,267</b>
<b>Equity</b>					
Issued capital	18	16,644,265	16,644,265	16,644,265	16,644,265
Options reserve	19	755,687	636,422	755,687	636,422
Accumulated losses	5	(11,968,244)	(8,771,420)	(12,014,077)	(8,771,420)
Translation reserve	20	64,558	-	-	-
<b>Total equity</b>		<b>5,496,266</b>	<b>8,509,267</b>	<b>5,385,875</b>	<b>8,509,267</b>

This Balance Sheet is to be read in conjunction with the attached notes.



## Statement of Changes in Equity

For the financial year ended 30 June 2007

Parent Entity	Issued Capital	Options Reserve	Accumulated Losses	Translation Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2005</b>	<b>16,644,265</b>	<b>499,752</b>	<b>(5,397,210)</b>	-	<b>11,746,807</b>
Loss from continuing operations	-	-	(3,374,210)	-	(3,374,210)
Share-based payments	-	136,670	-	-	136,670
<b>Balance at 30 June 2006</b>	<b>16,644,265</b>	<b>636,422</b>	<b>(8,771,420)</b>	-	<b>8,509,267</b>
Loss from continuing operations	-	-	(3,242,657)	-	(3,242,657)
Share-based payments	-	119,265	-	-	119,265
Translation reserve	-	-	-	-	-
<b>Balance at 30 June 2007</b>	<b>16,644,265</b>	<b>755,687</b>	<b>(12,014,077)</b>	-	<b>5,385,875</b>

Consolidated	Issued Capital	Options Reserve	Accumulated Losses	Translation Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2005</b>	<b>16,644,265</b>	<b>499,752</b>	<b>(5,397,210)</b>	-	<b>11,746,807</b>
Loss from continuing operations	-	-	(3,374,210)	-	(3,374,210)
Share-based payments	-	136,670	-	-	136,670
<b>Balance at 30 June 2006</b>	<b>16,644,265</b>	<b>636,422</b>	<b>(8,771,420)</b>	-	<b>8,509,267</b>
Loss from continuing operations	-	-	(3,196,824)	-	(3,196,824)
Share-based payments	-	119,265	-	-	119,265
Translation reserve	-	-	-	64,558	64,558
<b>Balance at 30 June 2007</b>	<b>16,644,265</b>	<b>755,687</b>	<b>(11,968,244)</b>	<b>64,558</b>	<b>5,496,266</b>

This Statement of Changes in Equity is to be read in conjunction with the attached notes.

## Statement of Cash Flows

For the financial year ended 30 June 2007

	Note	Consolidated		Parent Entity	
		2007 \$	2006 \$	2007 \$	2006 \$
<b>Cash flows from operating activities</b>					
Receipts from customers		1,025,867	865,926	905,114	865,926
Interest received		367,348	520,313	367,348	520,313
Payments to suppliers and employees		(5,124,267)	(4,991,546)	(5,031,644)	(4,991,546)
Grant received		123,929	121,531	123,929	121,531
Income tax receipt		340,972	294,738	340,972	294,738
Insurance recovery		-	1,250	-	1,250
Net cash used in operating activities	21(b)	(3,266,151)	(3,187,788)	(3,294,281)	(3,187,788)
<b>Cash flows from investing activities</b>					
Purchase of plant and equipment		(23,364)	(70,611)	(20,479)	(70,611)
Purchase of patents and trademarks		(127,362)	(74,497)	(127,362)	(74,497)
Dividends received		-	10,000	-	10,000
Purchase of investment		-	-	(1,000)	-
Proceeds from investment		554,202	-	554,202	-
Proceeds from asset disposal		455	-	455	-
Net cash provided by / (used in) investing activities		403,931	(135,108)	405,816	(135,108)
<b>Cash flows from financing activities</b>					
Net cash used in financing activities		-	-	-	-
Net decrease in cash held		(2,862,220)	(3,322,896)	(2,888,465)	(3,322,896)
Cash and cash equivalents at the beginning of the year		7,222,322	10,545,218	7,222,322	10,545,218
<b>Cash and cash equivalents at the end of the year</b>	21(a)	<b>4,360,102</b>	<b>7,222,322</b>	<b>4,333,857</b>	<b>7,222,322</b>

This Statement of Cash Flows is to be read in conjunction with the attached notes.

## Notes to Financial Statements

### Note 1: Statement of significant accounting policies

#### (i) Introduction

The financial report covers the economic entity of Uscom Ltd and its controlled entity, and Uscom Ltd as an individual parent entity. Uscom Ltd is a listed public company, incorporated and domiciled in Australia.

#### Operations and principal activities

Uscom Ltd is engaged in the development, design, manufacture and marketing of non-invasive cardiac monitoring devices. Uscom Ltd owns a portfolio of intellectual property relating to the technology and techniques associated with these devices and manages a worldwide network of distribution partners for the sale of its equipment to hospitals and other medical care locations.

#### Scope of financial statements

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial report of Uscom Ltd and its controlled entity complies with all Australian equivalent to International Financial Reporting Standards (AIFRS) in their entirety.

#### Currency

The financial report is presented in Australian dollars, which is the parent company's functional and presentational currency.

#### Reporting Period

The financial report is presented for the year ended 30 June 2007. The comparative reporting period was for the year ended 30 June 2006.

#### Comparative figures

The 2006 comparative figures are identical for both the parent and consolidated entity as Uscom Ltd only comprised one entity in the prior year. Uscom, Inc. was incorporated during the current financial year. Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

#### Registered Office

Level 7, 10 Loftus Street, Sydney NSW 2000

#### Authorisation of financial report

The financial report was authorised for issue on 28 August 2007 by the Directors.

#### (ii) Overall policy

The principal accounting policies adopted by the Consolidated Entity are stated in order to assist in the general understanding of the financial report.

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

#### (iii) Significant Judgment and Key Assumptions

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Entity.

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

#### (iv) Financial assets and Financial liabilities

Financial assets and financial liabilities are recognised on the balance sheet when the Consolidated Entity becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity. A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

Upon initial recognition a financial asset or financial liability is designated as at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.

Financial assets not measured at fair value comprise loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortised cost using the effective interest method.

Available-for-sale financial assets include other financial assets, comprising investments in subsidiaries, not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

## Notes to Financial Statements continued

Financial liabilities comprise of trade and other payables, provisions and borrowings are measured at amortised cost using the effective interest method.

Trade accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or uncollectibility.

**(v) Principles of Consolidation**

A controlled entity is any entity Uscom Ltd has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in note 23 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

**(vi) Revenue Recognition****(i) Sale of goods**

Revenue from the sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyer and when the other contractual obligations of the entity are performed.

**(ii) Revenue from rendering of services**

Rendering of services consists of training, repair and product maintenance supplied to customers. Revenue is recognised when contractual obligations are expired and services are provided.

**(iii) Interest revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**(iv) Government grants**

Government grants revenue is recognised when earned.

**(vii) Inventories**

Inventories are measured at the lower of cost or net realisable value. Costs are assigned on the basis of weighted average costs. Cost comprises all costs of purchase and conversion and an appropriate proportion of fixed and variable overheads, net of settlement discounts. Overheads are applied on the basis of normal operative capacity. The costs are recognised when materials are delivered to the Consolidated Entity.

**(viii) Property, Plant and equipment**

Property, plant and equipment are included at cost. Assets in plant and equipment (except for capitalised leased assets) are depreciated on a straight line basis over their estimated useful lives covering a period of two to seven years.

On disposal of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss in the Income Statement.

**(ix) Intangibles**

Patents and Trademarks are valued in the financial statements at cost of acquisition less accumulated amortisation and are amortised on a straight-line basis over 8 years.

**(x) Impairment of Assets**

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. In assessing value in use, the estimated future cash flows discounted to their present value using a pre-tax discount rate.

**(xi) Leases**

Lease of assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Consolidated Entity were classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are amortised on a straight-line basis over their estimated useful lives where it is likely that the Consolidated Entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

## Notes to Financial Statements continued

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern in which benefits are diminished.

Lease incentives under operating leases are recognised as liabilities. The incentives are recognised as a reduction of expenses on a straight line basis unless another systematic basis is more representative of the time pattern in which benefits are diminished.

*(xii) Cash and cash equivalents*

Cash and cash equivalents comprise:

- (a) Cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts;
- (b) Investments in money market instruments; and
- (c) Cash in transit.

*(xiii) Investments*

Investments in controlled entities are carried at the lower of cost and recoverable amount.

*(xiv) Research & Development Expenditure*

Research & development costs are charged to profit or loss as incurred, or deferred where it is probable that sufficient future benefits will be derived so as to recover those deferred costs.

*(xv) Foreign Currency Transactions and Balances*

Foreign currency transactions during the year are converted to Australian dollars at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance sheet date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit or loss from ordinary activities as they arise.

*(xvi) Income Tax*

Income taxes are accounted for using the balance sheet liability method whereby:

- The tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- Current and deferred tax is recognised as income or expenses except to the extent that the tax relates to equity items or to a business combination;
- A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

The change for current income tax expenses is based on the profit or loss for the year adjusted for any non assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

*(xvii) Short Term Employee Benefits*

Short term employee benefits are employee benefits (other than termination benefits and equity compensation benefits) which fall due wholly within 12 months after the end of the period in which employee services are rendered. They comprise wages, salaries, social security obligations, short-term compensation absences, profit sharing and bonuses payable within 12 months and non-mandatory benefits such as medical care, housing, car and service goods.

The provision for employee entitlements to wages, salaries and annual leave represents the amount that the Group has a present obligation to pay resulting from employee services provided up to balance date. The provision has been calculated after taking into consideration estimated future increases in wages and salaries and past experience regarding staff departures and includes related on-costs.

The undiscounted amount of short-term benefits expected to be paid is recognised as an expense.

## Notes to Financial Statements continued

**(xviii) Long Term Employee Benefits**

Long term employee benefits include long-service leave, long-term disability benefits, deferred compensation and profit sharing and bonuses payable 12 months or more after the end of the period in which employee service are rendered.

Uscom Ltd has adopted an employee share option plan for the benefit of executive and non-executive directors and full-time or part-time staff members employed by the Company.

**(xix) Share-based payment arrangement**

Goods or services received or acquired in a share-based payment transaction are recognised as a increase in equity if the goods or services were received in an equity-settled share based payment transaction or as a liability if the goods and services were acquired in a cash settled share based payment transaction.

For equity-settled share based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted.

**(xx) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of balance sheet are shown inclusive of GST.

**(xxi) Receivables**

Trade accounts receivables and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provision for doubtful accounts. An estimated doubtful debt is made when collection of the full amount is no longer probable.

**(xxii) Contingent Liabilities**

A contingent loss is recognised as an expense and a liability if it is probable that future events will confirm that, after taking into account any related probable recovery, an asset has been impaired or a liability incurred and, a reasonable estimate of the amount of the resulting loss can be made.

**(xxiii) Warranties**

Provision is made in respect of the Consolidated Entity's estimated liability on all products and services under warranty at balance date. The provision is measured at the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the Consolidated Entity's history of warranty claims.

**(xxiv) Events after the Balance Sheet Date**

Assets and liabilities are adjusted for events incurring after the balance date that provide evidence of conditions existing at the balance date. Important after balance date events which do not meet these criteria are disclosed in Note 28 to the financial statements.

**(xxv) Adoption of new and revised accounting standards**

As at the date of this report there are a number of new accounting standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2007, as detailed below:

- AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue
- AASB 8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue
- AASB 101 'Presentation of Financial Statements' – revised standard
- Interpretation 10 'Interim Financial Reporting and Impairment'
- Interpretation 11 'Group and Treasury Share Transactions' and consequential amendments to other accounting standards resulting from its issue
- Interpretation 12 'Service Concession Arrangements' and consequential amendments to other accounting standards resulting from its issue
- Effective for annual reporting periods beginning on or after 1 January 2007
- Effective for annual reporting periods beginning on or after 1 January 2009
- Effective for annual reporting periods beginning on or after 1 January 2007
- Effective for annual reporting periods beginning on or after 1 November 2006
- Effective for annual reporting periods beginning on or after 1 March 2007
- Effective for annual reporting periods beginning on or after 1 January 2008

## Notes to Financial Statements continued

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Consolidated Entity. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect the Consolidated Entity's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The applications of AASB 101 (revised), AASB 7 and AASB 2005-10 will not affect any of the amounts recognised in the financial statements, but will change the disclosure presently made in relation to the Consolidated Entity's financial instruments and the objectives, policies and processes for managing capital.

These Standards and Interpretations will be first applied in financial report of the Consolidated Entity that relates to the annual reporting period beginning after the effective date of each pronouncement.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Note 2: Revenue</b>				
<b>Operating revenue</b>				
Sale and rental of goods	871,263	1,119,622	839,580	1,119,622
<b>Non-operating revenue</b>				
<i>Other income</i>				
Interest received	326,238	456,648	326,238	456,648
Dividends received	-	10,000	-	10,000
Grants received - export market development grant	114,844	80,070	114,844	80,070
Grants received - bio business program	-	23,322	-	23,322
Grants received - hospital research	4,875	17,205	4,875	17,205
Grants received - VAT return	5,138	934	5,138	934
Income tax credit in relation to 2006 claim	71,629	-	71,629	-
Gain on disposal of investment	454,172	-	454,172	-
Loss on disposal of plant and equipment	(927)	-	(927)	-
Insurance recovery	-	1,250	-	1,250
Exchange gains	-	7,478	-	7,478
Total other income	975,969	596,907	975,969	596,907
<b>Total revenues from continuing operations</b>	<b>1,847,232</b>	<b>1,716,529</b>	<b>1,815,549</b>	<b>1,716,529</b>
<b>Note 3: Expenses from ordinary activities, excluding finance costs</b>				
Depreciation and amortisation expenses	191,642	139,722	190,755	139,722
Employee benefits expense	2,157,512	2,197,291	1,789,304	2,197,291
Research and development expenses	519,875	540,971	519,875	540,971
Advertising and marketing expenses	1,550,029	1,637,227	1,059,034	1,637,227
Occupancy expenses	135,163	129,213	129,838	129,213
Auditors remuneration (audit)	36,000	29,500	36,000	29,500
Auditors remuneration (audit review)	14,000	11,000	14,000	11,000
Regulatory expenses	60,390	71,789	60,390	71,789
Bad debt expenses	-	18,849	915,164	18,849
Administrative expenses	447,581	383,247	410,731	383,247
Exchange losses	113,240	-	113,240	-
<b>Total expenses from ordinary activities, excluding finance costs</b>	<b>5,225,432</b>	<b>5,158,809</b>	<b>5,238,331</b>	<b>5,158,809</b>

Operating lease expenses of \$125,317 in 2007 (2006:\$116,435) are included in occupancy expenses above

## Notes to Financial Statements continued

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Note 4: Income tax credit</b>				
<b>Major components of income tax expenses</b>				
Current income tax credit	306,414	269,363	306,414	269,363
Income tax credit	306,414	269,363	306,414	269,363
Reconciliation between income tax credit and prima facie tax on accounting loss				
Accounting loss before income tax	(3,503,238)	(3,643,573)	(3,549,071)	(3,643,573)
Tax at 30% in Australia, 15% in USA (2006:30% in Australia)	(1,192,176)	(1,093,072)	(1,064,721)	(1,093,072)
Tax benefit arising from franked dividends received	-	(3,000)	-	(3,000)
Prospectus costs	(90,377)	(90,377)	(90,377)	(90,377)
Tax effect on non deductible expenses	325,407	264,773	324,957	264,773
Temporary differences	18,999	54,530	18,999	54,530
Deferred tax asset not brought to account	938,147	867,146	811,142	867,146
Research and development tax offset	306,414	269,363	306,414	269,363
<b>Income tax credit</b>	<b>306,414</b>	<b>269,363</b>	<b>306,414</b>	<b>269,363</b>

As at 30 June 2007, the Consolidated Entity had estimated unrecouped operating income tax losses of \$9,764,679 (2006: \$7,060,872). The benefit of these losses of \$3,056,409 (2006: \$2,118,262) has not been brought to accounts as realisation is not probable.

The benefit will only be obtained if:

- (i) The Consolidated Entity derives future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- (ii) The Consolidated Entity continues to comply with the conditions for deductibility imposed by the law;
- (iii) No changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deduction for the losses.

As at 30 June 2007 there are no franking credits available for subsequent financial years.

<b>Note 5: Accumulated losses</b>				
Accumulated losses at the beginning of the financial year	(8,771,420)	(5,397,210)	(8,771,420)	(5,397,210)
Net loss attributable to members of the Entity	(3,196,824)	(3,374,210)	(3,242,657)	(3,374,210)
<b>Accumulated losses at the end of the financial year</b>	<b>(11,968,244)</b>	<b>(8,771,420)</b>	<b>(12,014,077)</b>	<b>(8,771,420)</b>

<b>Note 6: Earnings per share</b>				
Loss after tax used in calculation of basic and diluted EPS	3,196,824	3,374,210		
	<b>Number</b>	<b>Number</b>		
Weighted average number of ordinary shares during the year used in calculation of basic EPS	38,000,000	38,000,000		
Weighted average number of options outstanding	217,219	-		
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	38,217,219	38,000,000		
Basic earnings per share (cents per share)	(8.4)	(8.9)		
Diluted earnings per share (cents per share)	(8.4)	(8.9)		

There have been no issues of ordinary shares between the balance sheet date and the date of this report.



## Notes to Financial Statements continued

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Note 7: Cash and cash equivalents</b>				
Cash on hand	277	244	277	244
Bank: Cheque accounts	189,143	59,003	162,898	59,003
Bank: Cash management	59,801	95,622	59,801	95,622
Bank: Term deposits	2,526,469	3,526,469	2,526,469	3,526,469
Bank: Deposit at call	1,584,412	3,540,984	1,584,412	3,540,984
<b>Total cash and cash equivalents</b>	<b>4,360,102</b>	<b>7,222,322</b>	<b>4,333,857</b>	<b>7,222,322</b>
<b>Note 8: Trade and other receivables</b>				
<b>Current</b>				
Trade receivables	296,845	441,592	209,653	441,592
<b>Total current receivables</b>	<b>296,845</b>	<b>441,592</b>	<b>209,653</b>	<b>441,592</b>
<b>Non-current</b>				
Rental bond	7,109	3,550	7,109	3,550
Trade receivables	3,000	19,800	3,000	19,800
<b>Total non-current receivables</b>	<b>10,109</b>	<b>23,350</b>	<b>10,109</b>	<b>23,350</b>
<b>Note 9: Financial assets</b>				
<b>Non-current</b>				
Unlisted investment at cost				
- Shares in related parties - Coefficient Systems Pty Ltd	-	100,030	-	100,030
- Shares in controlled entities – Uscom, Inc.	-	-	1,000	-
<b>Total financial assets</b>	<b>-</b>	<b>100,030</b>	<b>1,000</b>	<b>100,030</b>
<b>Note 10: Inventories</b>				
<b>Current inventories at cost</b>				
Raw materials	152,961	71,351	152,961	71,351
Finished products	86,276	153,611	81,566	153,611
<b>Total inventories</b>	<b>239,237</b>	<b>224,962</b>	<b>234,527</b>	<b>224,962</b>
<b>Note 11: Tax assets</b>				
Income tax credit	306,414	269,343	306,414	269,343
<b>Total tax asset</b>	<b>306,414</b>	<b>269,343</b>	<b>306,414</b>	<b>269,343</b>

## Notes to Financial Statements continued

	Consolidated		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
<b>Note 12: Plant and equipment</b>				
Plant and equipment at cost	497,530	474,100	494,859	474,100
Accumulated depreciation	(278,911)	(149,999)	(278,090)	(149,999)
	218,619	324,101	216,769	324,101
Office furniture and equipment at cost	59,166	47,436	59,166	47,436
Accumulated depreciation	(42,120)	(32,368)	(42,120)	(32,368)
	17,046	15,068	17,046	15,068
Computer software at cost	19,750	19,328	19,750	19,328
Accumulated depreciation	(15,632)	(12,797)	(15,632)	(12,797)
	4,118	6,531	4,118	6,531
Low value asset pool at cost	29,485	28,674	29,485	28,674
Accumulated depreciation	(22,869)	(18,845)	(22,869)	(18,845)
	6,616	9,829	6,616	9,829
<b>Total plant and equipment</b>	<b>246,399</b>	<b>355,529</b>	<b>244,549</b>	<b>355,529</b>
Movements in carrying amounts	Plant and equipment	Office furniture	Computer software	Low value asset pool
	\$	\$	\$	\$
Useful life	2-7 years	2-7 years	3 years	3 years
<b>Parent Company</b>				
Opening value at 1 July 2006	324,101	15,068	6,531	9,829
Additions	25,421	11,730	422	1,446
Disposals	(1,382)	-	-	-
Depreciation expense	(131,371)	(9,752)	(2,835)	(4,659)
<b>Carrying amount at 30 June 2007</b>	<b>216,769</b>	<b>17,046</b>	<b>4,118</b>	<b>6,616</b>
<b>Consolidated Entity</b>				
Opening value at 1 July 2006	324,101	15,068	6,531	9,829
Additions	28,092	11,730	422	1,446
Disposals	(1,382)	-	-	-
Depreciation expense	(132,192)	(9,752)	(2,835)	(4,659)
<b>Carrying amount at 30 June 2007</b>	<b>218,619</b>	<b>17,046</b>	<b>4,118</b>	<b>6,616</b>

## Notes to Financial Statements continued

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Note 13: Intangible assets</b>				
<b>Non-current</b>				
Patents at cost	372,425	297,928	372,425	297,928
Additions	127,361	74,497	127,361	74,497
Accumulated amortisation	(122,634)	(80,496)	(122,634)	(80,496)
<b>Carrying amount at the end of the year</b>	<b>377,152</b>	<b>291,929</b>	<b>377,152</b>	<b>291,929</b>
<b>Note 14: Other current assets</b>				
<b>Current</b>				
GST receivable	22,862	10,163	22,862	10,163
Accrued interest income	11,347	52,457	11,347	52,457
Prepayments	64,180	158,895	57,190	158,895
<b>Total other current assets</b>	<b>98,389</b>	<b>221,515</b>	<b>91,399</b>	<b>221,515</b>
<b>Note 15: Trade and other payables</b>				
<b>Current</b>				
Trade payables	77,604	308,470	77,192	308,470
Sundry payables and accrued expenses	72,699	47,891	57,515	47,891
Employee related payables	93,706	110,847	93,706	110,847
<b>Total payables</b>	<b>244,009</b>	<b>467,208</b>	<b>228,413</b>	<b>467,208</b>
<b>Note 16: Provisions</b>				
<b>Short term</b>				
Provision for annual leave	126,620	119,025	126,620	119,025
	<b>126,620</b>	<b>119,025</b>	<b>126,620</b>	<b>119,025</b>
<b>Long term</b>				
Provision for long service leave	49,273	45,364	49,273	45,364
Provision for warranties	5,428	3,239	5,428	3,239
	<b>54,701</b>	<b>48,603</b>	<b>54,701</b>	<b>48,603</b>
(a) Aggregate employee benefits	175,893	164,389	175,893	164,389
(b) Movement in employee benefits				
Balance at beginning of the year	164,389	116,273	164,389	116,273
Additional provision	117,712	162,554	117,712	162,554
Amounts used	(106,208)	(114,438)	(106,208)	(114,438)
<b>Balance at end of the year</b>	<b>175,893</b>	<b>164,389</b>	<b>175,893</b>	<b>164,389</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
(c) Number of employees at year-end	24	27	20	27
<b>Note 17: Lease incentives</b>				
Current	8,701	6,469	8,701	6,469
Non-current	4,350	-	4,350	-
<b>Total lease incentives</b>	<b>13,051</b>	<b>6,469</b>	<b>13,051</b>	<b>6,469</b>

## Notes to Financial Statements continued

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Note 18: Issued capital</b>				
<b>Issued capital</b>				
Fully paid ordinary shares	16,644,265	16,644,265	16,644,265	16,644,265
<b>Total contributed equity</b>	<b>16,644,265</b>	<b>16,644,265</b>	<b>16,644,265</b>	<b>16,644,265</b>
<b>Movement in issued capital</b>				
Shares on issue at the beginning of the year	16,644,265	16,644,265	16,644,265	16,644,265
<b>Ordinary shares at the end of the year</b>	<b>16,644,265</b>	<b>16,644,265</b>	<b>16,644,265</b>	<b>16,644,265</b>
<b>Ordinary Shares</b>				
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Ordinary shares at the beginning of the year	38,000,000	38,000,000	38,000,000	38,000,000
<b>Total fully paid ordinary shares at the end of the year</b>	<b>38,000,000</b>	<b>38,000,000</b>	<b>38,000,000</b>	<b>38,000,000</b>

The company's authorised share capital amounted to 38,000,000 ordinary shares of no par value.

Fully paid ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholders meetings, each ordinary share is entitled to one vote when a poll is called, or via a show of hands.

There have been no issues of ordinary shares between the balance sheet date and the date of this report.

**Note 19: Employee share option plan**

The Company has adopted an Employee Share Option Plan for the benefit of executive and non-executive directors and full-time or part-time staff members employed by the Company. At the date of this Report the following options had been issued pursuant to the Employee Share Option Plan. Each option was issued for a period of 4 years and vest in tranches of 25% after 9 months, 12 months, 24 months and 36 months.

Exercise price is based on 85% of the average ASX closing price for the 5 days prior to offer/acceptance of the options, in accordance with the Share Option Plan.

During the financial year, 505,000 options were issued. No options were exercised during or since the end of the financial year.

Options issued to all directors are subject to shareholder approval at the next Annual General Meeting.

	2007	2006		
	\$	\$		
<b>Effect of share-based payment transactions</b>				
Options reserve balance at the beginning of the year	636,422	499,752		
Expenses arising from share-based payment transactions	119,265	136,670		
<b>Options reserve balance at the end of the year</b>	<b>755,687</b>	<b>636,422</b>		
<b>Movement during the financial year</b>				
	Number of Options 2007	Weighted average exercise price	Number of options 2006	Weighted average exercise price
Opening number of options	1,037,000	\$2.08	1,124,000	\$2.08
Granted during the financial year	505,000	\$0.69	-	-
Lapsed during the financial year	(187,000)	\$2.02	(87,000)	\$2.10
Exercised during the financial year	-	-	-	-
<b>Closing number of options</b>	<b>1,355,000</b>	<b>\$1.57</b>	<b>1,037,000</b>	<b>\$2.08</b>

**Note 19: Employee share option plan (continued)****Details of options outstanding as at end of year**

Holders No.	Grant date	% Exercisable at 30 June 2007	Expiry date	30 June 2007 Outstanding Option No.	Exercise Price \$	Fair value at issued date \$
3 (Directors)	20 October 2003	100%	20 October 2007	230,000	2.00	0.53
5 (Advisory committee)	20 October 2003	100%	20 October 2007	150,000	2.00	0.53
4	20 October 2003	100%	20 October 2007	140,000	2.00	0.53
1	1 June 2004	100%	1 June 2008	20,000	2.28	0.93
1	1 June 2004	100%	1 June 2008	50,000	2.17	0.98
1	1 June 2004	100%	1 June 2008	30,000	2.01	0.73
1 (Director)	17 December 2004	75%	17 December 2008	50,000	2.27	0.72
1 (Advisory committee)	17 December 2004	75%	17 December 2008	30,000	2.27	0.72
9	17 December 2004	75%	17 December 2008	150,000	2.27	0.72
4 (Directors)	25 January 2007	0%	25 January 2011	180,000	0.69	0.48
1 (Advisory committee)	25 January 2007	0%	25 January 2011	30,000	0.69	0.48
14	25 January 2007	0%	25 January 2011	295,000	0.69	0.48
<b>Total</b>				<b>1,355,000</b>		

**Fair value**

Fair value was measured using Blacksholes and the inputs to it were as follows:

Weighted average share price	Range from \$0.8 to \$2.71
Exercise price	Range from \$0.69 to \$2.27
Option life	4 years
Risk-free interest rate	Range from 5.4% to 6.31%
Expected dividends	0
Expected volatility*	Range from 16% to 65%

\* Historical volatility has been the basis for determining the expected share price volatility as it is assumed that it is indicative of the future tender, which may not eventuate.

## Notes to Financial Statements continued

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Note 20: Translation reserve</b>				
Opening balance	-	-	-	-
Translation of financial statements of foreign controlled entity	64,558	-	-	-
<b>Closing balance</b>	<b>64,558</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Note 21: Cash flow information</b>				
(a) Reconciliation of cash				
Cash at bank and on hand	4,360,102	7,222,322	4,333,857	7,222,322
<b>Total cash at end of year</b>	<b>4,360,102</b>	<b>7,222,322</b>	<b>4,333,857</b>	<b>7,222,322</b>
(b) Reconciliation of cash flow from operations to loss from continuing operations after income tax				
Loss from continuing operations after income tax	(3,196,824)	(3,374,210)	(3,242,657)	(3,374,210)
Non cash flows in loss from continuing operations				
Depreciation	149,504	103,916	148,617	103,916
Amortisation	42,138	35,806	42,138	35,806
Options reserve	119,265	136,670	119,265	136,670
Dividend received from investing activities	-	(10,000)	-	(10,000)
Gain on disposal of equity investments	(454,172)	-	(454,172)	-
Loss on disposal of equipment	927	-	927	-
Realised exchange losses	70,960	-	-	-
(Increase)/Decrease in assets				
Trade debtors	161,547	(303,226)	248,739	(303,226)
Inventories	(32,814)	(129,165)	(28,104)	(129,165)
Prepayments	94,715	(9,487)	101,705	(9,487)
Income tax	(37,071)	25,375	(37,071)	25,375
Accrued income	41,110	63,666	41,110	63,666
GST assets	(12,699)	4,272	(12,699)	4,272
Bond deposits	(3,559)	(250)	(3,559)	(250)
Increase/(Decrease) in liabilities				
Trade payables	(230,866)	209,482	(231,278)	209,482
Sundry payables and accrued expenses	24,808	8,731	9,624	8,731
Employee related payables	(17,141)	12,215	(17,141)	12,215
Employee provisions	11,504	48,116	11,504	48,116
Other provisions	2,517	(9,699)	8,771	(9,699)
<b>Cash flow from operations</b>	<b>(3,266,151)</b>	<b>(3,187,788)</b>	<b>(3,294,281)</b>	<b>(3,187,788)</b>

## Notes to Financial Statements continued

**Note 22: Financial instruments***Financial instruments*

At 30 June 2007, there were no outstanding contracts.

*Credit risk*

The credit risk on financial assets of the Entity which have been recognised on the balance sheet is generally the carrying amount, net of any provisions for loss.

The Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Entity.

*Interest rate risk*

The Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Consolidated	Fixed interest rate maturing					
	Weighted Average effective interest Rate %	Floating interest \$	Within 1 year \$	1 to 5 years \$	Non-interest bearing \$	Total \$
<b>2007</b>						
Financial assets						
Cash	5.8	1,833,633	2,500,000	26,469	-	4,360,102
Trade debtors		-	-	3,000	296,845	299,845
Receivables	6.5	-	-	7,109	34,209	41,318
Total financial assets		1,833,633	2,500,000	36,578	331,054	4,701,265
Financial liabilities						
Trade creditors		-	-	-	77,604	77,604
Payables		-	-	-	166,405	166,405
Total financial liabilities		-	-	-	244,009	244,009
<b>Net financial assets</b>		<b>1,833,633</b>	<b>2,500,000</b>	<b>28,469</b>	<b>95,154</b>	<b>4,457,256</b>
<b>2006</b>						
Financial assets						
Cash	5.14	3,695,853	3,500,000	26,469	-	7,222,322
Trade debtors		-	-	-	461,392	461,392
Investments		-	-	-	100,030	100,030
Receivables	6.5	-	-	3,550	52,457	56,007
Total financial assets		3,695,853	3,500,000	30,019	613,879	7,839,751
Financial liabilities						
Trade creditors		-	-	-	308,470	308,470
Payables		-	-	-	158,738	158,738
Total financial liabilities		-	-	-	467,208	467,208
<b>Net financial assets</b>		<b>3,695,853</b>	<b>3,500,000</b>	<b>30,019</b>	<b>146,671</b>	<b>7,372,543</b>
					2007	2006
Net financial assets as above					4,457,256	7,372,543
Non financial assets and liabilities						
Current tax receivable					306,414	279,506
Inventories					239,237	224,962
Prepayments					64,180	158,895
Plant and equipment					246,399	355,529
Intangible assets					377,152	291,929
Provisions					(181,321)	(167,628)
Lease incentive					(13,051)	(6,469)
<b>Net assets per Balance Sheet</b>					<b>5,496,266</b>	<b>8,509,267</b>

**Note 23: Related party disclosures**

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

**Parent and controlled entity***Parent Entity*

Significant investments in subsidiaries: Uscom, Inc.  
Country of subsidiary incorporation: U.S.A  
Proportion of ownership interest: 100%

*Consolidated*

The parent and ultimate parent entity within the group is Uscom Ltd.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Transactions between related parties</b>				
<i>Parent</i>				
Sales to Uscom, Inc.	-	-	183,229	-
Intercompany loan to Uscom, Inc.	-	-	915,164	-
Provision for doubtful debts	-	-	(915,164)	-
Outstanding balance	-	-	-	-
<i>Subsidiary</i>				
Purchase from Uscom Ltd	-	-	183,229	-
Intercompany loan provided by Uscom Ltd	-	-	915,164	-
<b>Other related parties</b>				
<i>Transactions between Coefficient Systems Pty Ltd</i>				
Uscom Ltd held 10% of the issued share in Coefficient Systems. As a former director of Uscom Ltd, Mr Fay is a director of Coefficient Systems Pty Ltd; Mr Phillips is a former director of Coefficient Systems Pty Ltd. During financial year 2007 Uscom Ltd disposed its ownership in Coefficient Systems Pty Ltd.				
Sales to Coefficient	(27,619)	27,814	(27,619)	27,814
Current trade receivable	-	27,691	-	27,691
Considerations received on ownership disposal	554,202	-	554,202	-
<i>Transactions between CFO Strategic Chartered Accountants</i>				
As a Company Secretary and Chief Financial Officer of Uscom Ltd, Mr Fah provides services to the Company through CFO Strategic Chartered Accountants.				
Services rendered	11,400	-	11,400	-



**Note 23: Related party disclosures (continued)***Key management personnel*

The following were key management personnel of the Entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

*Non-executive directors*

Roman Zwolenski, Non-executive Director  
 Bruce Rathie, Non-executive Director (Appointed on 1 December 2006)  
 Luke Fay, Non-executive Director (Resigned on 7 September 2006)  
 Dr Fred Berry, Non-executive Director (Resigned on 8 September 2006)

*Executive directors*

Rob Phillips, Executive Director, Chairman  
 Paul Butler, Executive Director, Chief Executive Officer (Appointed on 30 January 2007)  
 Gary Davey, Executive Director, Chief Executive Officer (Resigned on 9 January 2007)

*Senior executives*

Daniel Fah, Chief Financial Officer, Company Secretary (Appointed on 30 January 2007)  
 Barry Zakar, Vice President of Uscom, Inc.  
 Ali Hughes-Jones, Marketing Executive, Europe  
 Nick Schicht, Technical Manager  
 Len Bevis, National Sales Manager

For further remuneration information of Key Management Personnel refer to the Remuneration Report in the Directors' report on page 16 to 20.

The aggregate compensation made to directors and other members of key management personnel of the company and the Consolidated Entity is set out below:

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	893,345	968,434	740,654	968,434
Post-employment benefits	123,848	142,939	110,869	142,939
Other payments	11,400	-	11,400	-
Termination benefits	-	-	-	-
Share-based payment	46,273	64,017	42,214	64,017
	<b>1,074,866</b>	<b>1,175,390</b>	<b>905,137</b>	<b>1,175,390</b>

## Notes to Financial Statements continued

**Note 24: Segment information***Primary segment information*

The Consolidated Entity operates in the health product industry.

*Secondary segment information – Geographical segment*

	Australia	North Asia	South Asia	USA	Europe	Others	Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
<b>2007</b>								
<b>Revenue</b>								
Sales to external customers	272,741	159,146	(25,174)	340,039	124,511	-	-	871,263
Inter-segment sales	-	-	-	183,229	-	-	(183,229)	-
<b>Total sales revenue</b>	<b>272,741</b>	<b>159,146</b>	<b>(25,174)</b>	<b>523,268</b>	<b>124,511</b>	<b>-</b>	<b>(183,229)</b>	<b>871,263</b>
<b>Assets</b>								
Segment assets	6,723,824	-	-	146,617	-	-	(935,794)	5,934,647
<b>Consolidated total assets</b>								<b>5,934,647</b>
<b>2006</b>								
<b>Revenue</b>								
Sales to external customers	535,445	174,209	9,960	284,634	102,374	-	-	1,119,622
Inter-segment sales	-	-	-	-	-	-	-	-
<b>Total sales revenue</b>	<b>535,445</b>	<b>174,209</b>	<b>9,960</b>	<b>284,634</b>	<b>102,374</b>	<b>-</b>	<b>-</b>	<b>1,119,622</b>
<b>Assets</b>								
Segment assets	6,723,824	-	-	-	-	-	-	6,723,824
<b>Consolidated total assets</b>								<b>6,723,824</b>

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$

**Note 25: Commitments***Operating lease commitments*

Operating commitments represent payments due for office rentals and have an average term of 3 years.

Less than 1 year	122,221	70,802	122,221	70,802
Between 1 and 5 years	58,142	22,880	58,142	22,880
<b>Total operating commitments</b>	<b>180,363</b>	<b>93,682</b>	<b>180,363</b>	<b>93,682</b>

**Note 26: Auditors' remuneration**

Audit of financial report	36,000	29,500	36,000	29,500
Review of financial report	14,000	11,000	14,000	11,000
Non-audit services	10,670	-	10,670	-
<b>Total auditors' remuneration</b>	<b>60,670</b>	<b>40,500</b>	<b>60,670</b>	<b>40,500</b>

**Note 27: Contingencies***Contingent assets*

During the financial year 2007, the Consolidated Entity has recognised a gain of \$454k on the sale of its 10% ownership in Coefficient Systems Pty Ltd. Refer to related party disclosure in note 23. Further consideration could be received depending on the trading performance of Coefficient Systems Pty Ltd and other factors in financial year 2007. To date the certainty and the amount are unknown therefore no asset is recognised.

**Note 28: Subsequent events**

No matter or circumstance has arisen since the end of the financial year to the date of this report, that has significantly affected or may significantly affect the activities of the Consolidated Entity, the results of those activities or the state of affairs of the Consolidated Entity in the ensuing or any subsequent financial year.

## Directors' Declaration

Uscom Limited and its controlled entity

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 22 to 41, are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance as represented by the results of its operations, changes in equity and cash flows for the financial year ended on that date; and
  - (b) complying with Accounting Standards, the Corporation Regulations 2001 and other mandatory professional reporting requirements;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The audited remuneration disclosures set out on pages 16 to 20 of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures, and the Corporations Regulations 2001.

The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2007.

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



Rob Phillips  
Director  
Sydney, 28 August 2007



Roman Zwolenski  
Director

# Independent Audit Report



Chartered Accountants  
& Business Advisers

To the members of Uscom Limited

## Report on the Financial Report and AASB 124 remuneration disclosures contained in the directors' report.

We have audited the accompanying financial report of Uscom Limited, which comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity, cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the economic entity comprising Uscom Limited (the company) and the entities it controlled (the economic entity) at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about remuneration of directors and executives ('remuneration disclosures') required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 16 to 20 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 remuneration disclosures contained in the directors' report.

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.*

## 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

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Chartered Accountants  
& Business Advisers

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 and the remuneration disclosures included in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures included in the directors' report 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 entity'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 and the remuneration disclosures in the directors' report.

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

### Independence

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

### Auditor's Opinion

In our opinion:

- (a) the financial report of Uscom Limited is in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the company's and economic entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in pages 16 to 20 of the directors' report comply with Accounting Standard AASB 124.

PKF

Tim Sydenham

Dated 28th August 2007

Sydney

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## Shareholder Information

Additional information required by Australian Stock Exchange Listing Rules is as follows. This information is current as at 22 August 2007.

### (a) Distribution Schedules of Shareholder

Holdings Ranges	Holders	Ordinary shares	
	No.	No.	%
1 – 1,000	132	105,853	0.279
1,001 – 5,000	360	1,099,371	2.893
5,001 – 10,000	101	835,739	2.199
10,001 – 100,000	137	4,186,103	11.016
100,001 – 99,999,999,999	31	31,772,934	83.613
<b>Total</b>	<b>761</b>	<b>38,000,000</b>	<b>100</b>

There were 178 holders of less than a marketable parcel of 171,412 ordinary shares.

### (b) Class of shares and voting rights

All shares are ordinary shares. Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

### (c) Substantial shareholders

The names of the substantial shareholders listed in the holding company's register as at 22 August 2007 are:

Robert Allan Phillips	16,750,000
Gary Desmond Davey	6,259,000
Bell Potter Nominees Ltd	2,129,836

### (d) Twenty largest registered holders – Ordinary shares

Balance as at 22 August 2007	Ordinary shares	
	No.	%
Robert Allan Phillips	16,750,000	44.079%
Gary Desmond Davey	6,259,000	16.471%
Bell Potter Nominees Ltd <BB Nominees A/C>	2,129,836	5.605%
DRP Cartons (NSW) Pty Ltd	776,539	2.044%
Link Traders (Aust) Pty Ltd	600,000	1.579%
Jules Flach	500,000	1.316%
Asia Union Investments Pty Limited	380,000	1.000%
Das Menon	368,750	0.970%
Helen Marie Bragg	368,750	0.970%
ACCBELL Nominees Pty Ltd	343,840	0.905%
Mr Graham Scott Alston	333,067	0.876%
Paul William Butler	275,000	0.724%
Mr Rutherford James Browne & Mrs Sheba Elizabeth Marjorie Browne	271,313	0.714%
Ross Planning Pty Ltd <S Alston Superannuation A/C>	267,501	0.704%
UBS Wealth Management Australia Nominees Pty Ltd	264,773	0.697%
Mrs Judith Burroughs	260,500	0.686%
Mr Roman Zwolenski & Mrs Philomena Zwolenski <Z-Link Pty Ltd Super A/C>	225,000	0.592%
Hinona Pty Ltd <H Wallace Consultant S/F A/C>	198,350	0.522%
Hammond Royce Corporation Pty Ltd <Len David S/F A/C>	196,773	0.518%
Mr Daryl Lindsay Allen	190,000	0.500%
<b>Total</b>	<b>30,958,992</b>	<b>81.471%</b>

## Shareholder Information

### Registered office and principal place of office

Level 7, 10 Loftus Street  
Sydney NSW 2000 Australia  
Tel: 02 9247 4144  
Fax: 02 9247 8157

### Company Secretary

Daniel Fah

### Registers of securities

Registries Limited  
Level 2, 28 Margaret Street  
Sydney NSW 2000 Australia  
PO Box R67, Royal Exchange  
Sydney NSW 1223 Australia  
Tel: 02 9290 9600  
Fax: 02 9279 0664

### Stock Exchange Listing

Quotation has been granted for 38,000,000 ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

### Unquoted securities

#### *Options over unissued shares*

A total of 1,355,000 options over ordinary shares are on issue. 460,000 options are on issue to four directors, 210,000 options are on issue to seven members of advisory board and 685,000 options are on issue to sixteen employees under the Uscom Ltd employee share option plan.



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